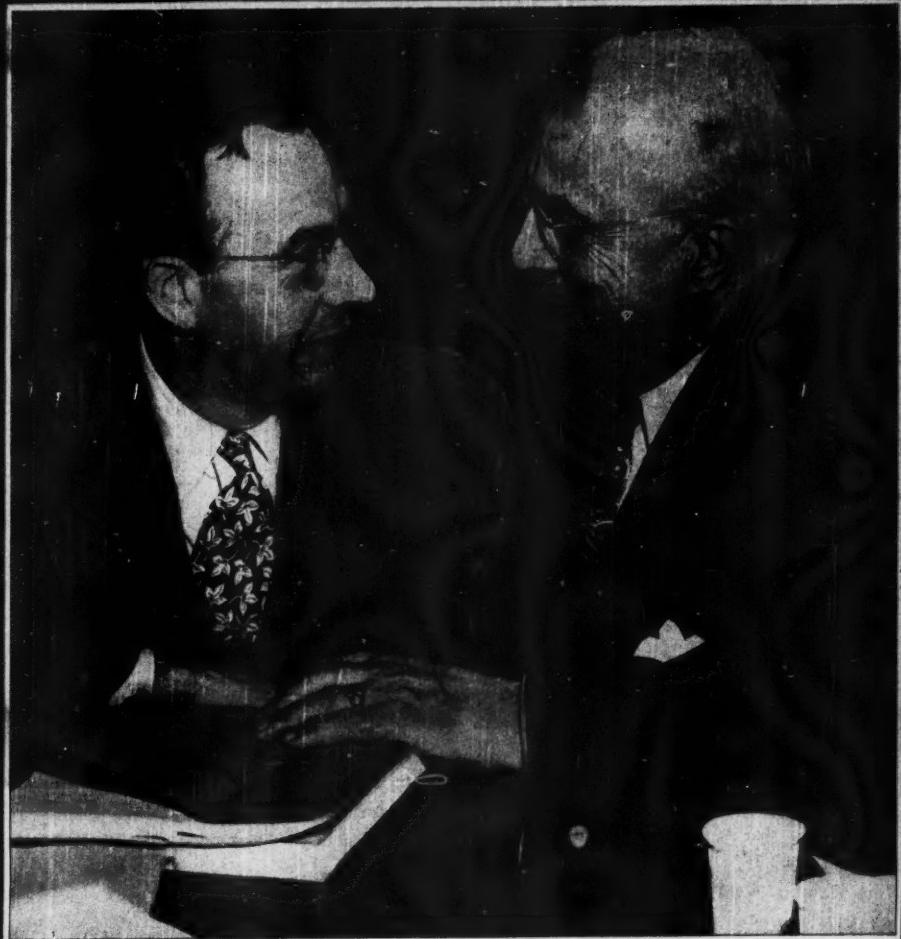


# BUSINESS WEEK

War Stockpiles

WHERE DO THEY STAND?

(PAGE 24)

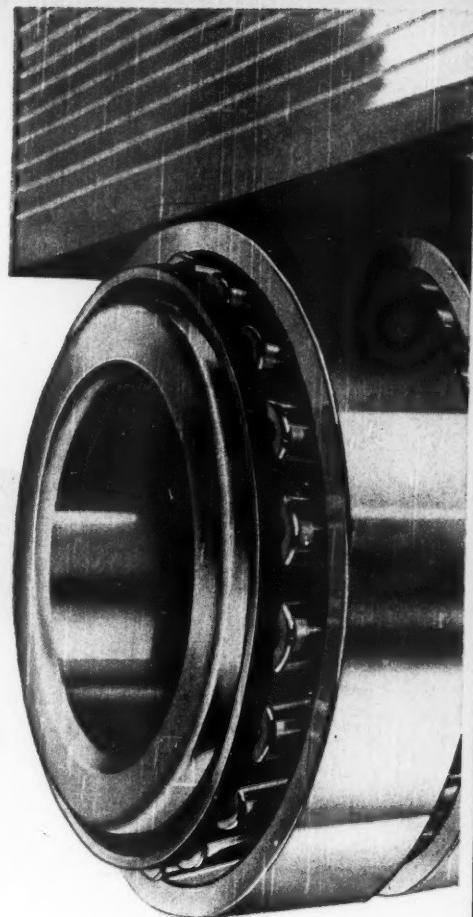
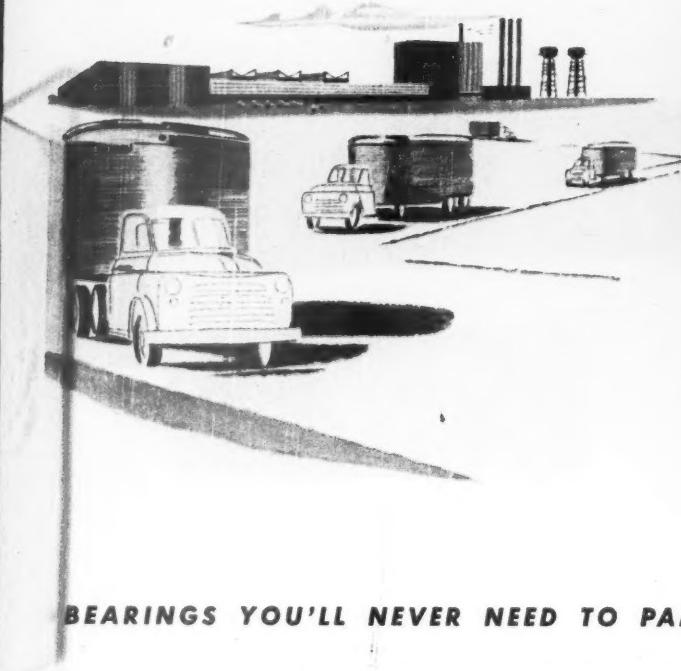


Edgar & Henry J. Kaiser: Pave a road, make a bathtub, build a car . . . (Page 31)

DEC. 9, 1950

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### BEARINGS YOU'LL NEVER NEED TO PAMPER

A daily ton-mile miracle—impossible yesterday, commonplace today—that's the operating record of America's vast tractor-trailer fleet. Matching the pace of the highway age, the flow of goods across the nation has constantly increased the demands on equipment. ★ An important factor in meeting this challenge is Bower Spher-O-Honed bearings. Unique advances in design, in toughness and durability, in precision of finish—these contribute the positive dependability and wear resistance a modern trailer bearing must have to stand the gaff of day-and-night schedules. ★ Whatever you manufacture—from truck trailers to aircraft, from farm machinery to electric motors—Bower Spher-O-Honed bearings can help make yours a better product.

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## They unlocked Davey Jones' locker and found a new oil frontier

The ghost of Jules Verne would chuckle over this:

Oil—after waiting 500-million years in the geologic traps of the Continental Shelf—is being produced from beneath the coastal waters of America.

For almost twenty years, oil fields were known to be hidden under the ocean depths. Yet it was not until recently that scientific research supplied the tools and the methods to tap the billions of barrels of crude believed to be locked in Davey Jones' Locker.

Today, miles from shore, strange-looking oil well "islands", specially designed to withstand 125-mph hurricane winds and 20-foot waves, are drawing oil from beneath U.S. coastal waters.

The dramatic development of marine drilling, however, is but one example of the oil industry's endless quest for increased knowledge of *where* oil is and *how* to extract it to help meet future demand...

Aerial surveys, using advanced equip-

ment to break down formidable geologic and geographic barriers, are charting possible oil deposits in formerly inaccessible swamps and jungles...

Pilot plants are experimenting with methods of squeezing oil from the shale of the western mountains. And, already, industrial research has found how to transform coal into petroleum...

Meanwhile, in the laboratories—where part of the oil industry's \$100,000,000-per-year research program is carried out—scientists are working hard to discover new uses for petroleum.

Today, petroleum is used in making some 1200 products—from lipstick and

linoleum to synthetic rubber and insect sprays. And, tomorrow, oil converted into many new products will help to meet other important needs of the public the oil industry serves.

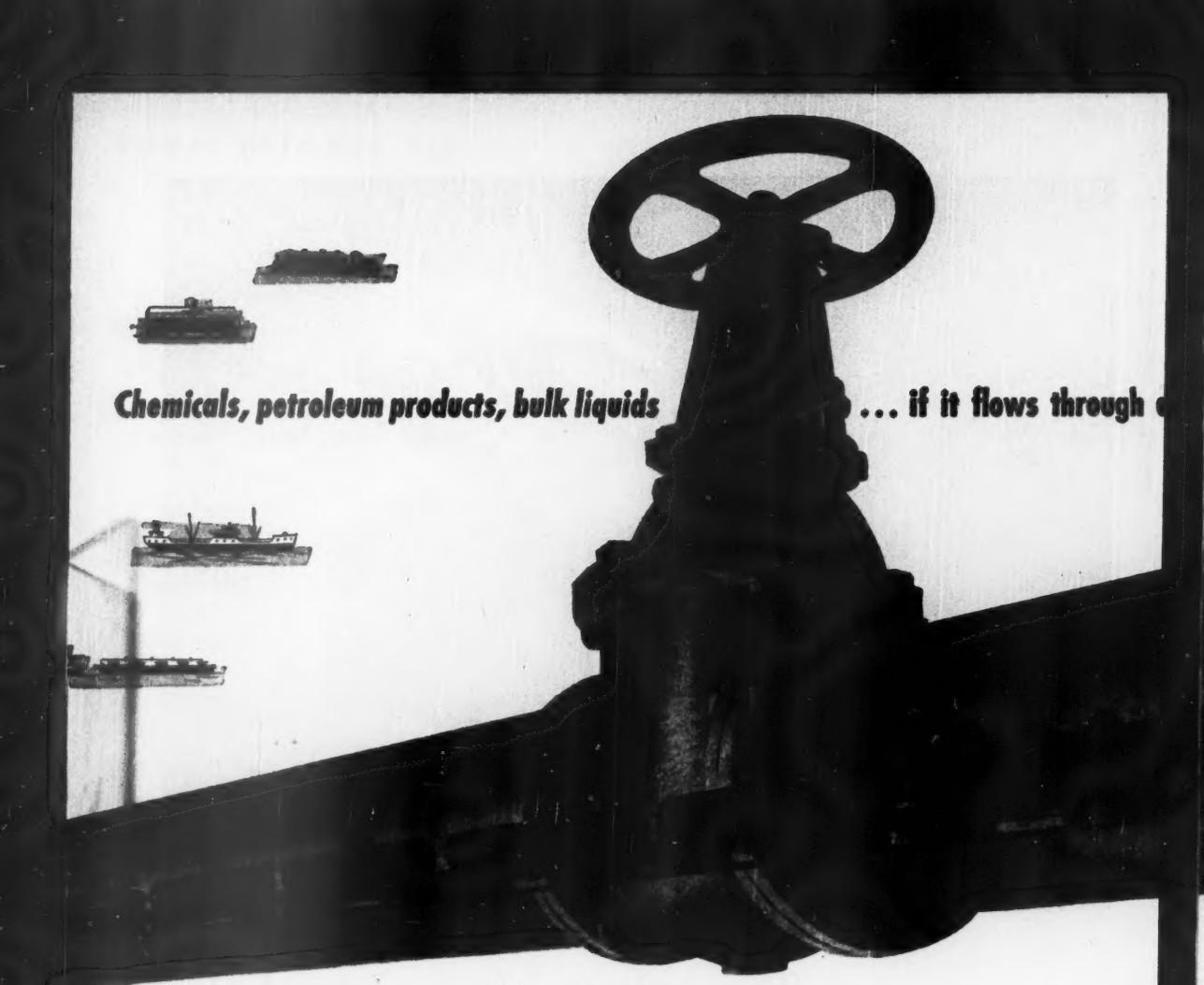
The oil industry's spirit of progress—its atmosphere of enterprise—is typical of all American industry.

It is from our unfettered competitive system that America gains her impulse for progress—progress that has meant a progressively higher standard of living for millions of people... and which, in this time of uncertainty, helps America face with sober confidence the trials which confront all free people.

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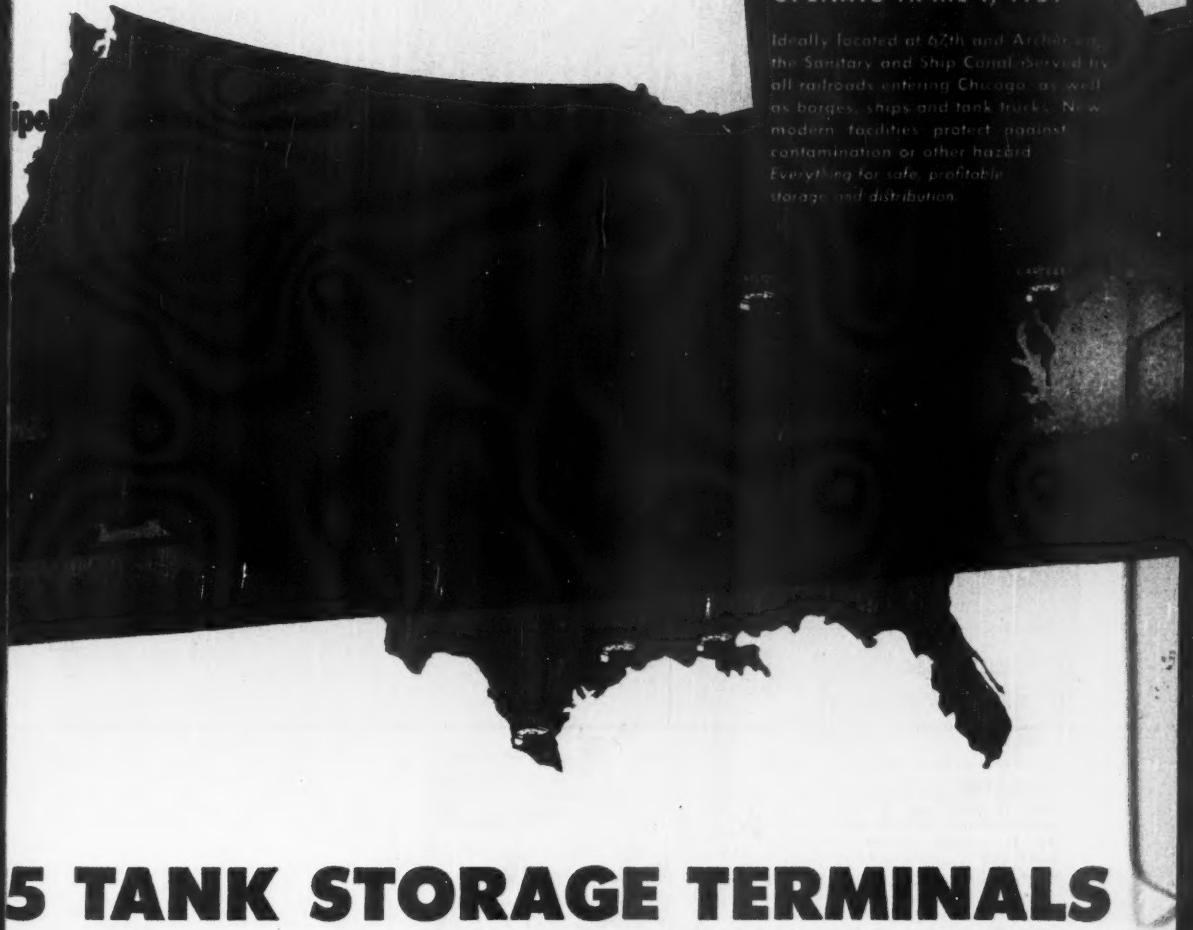
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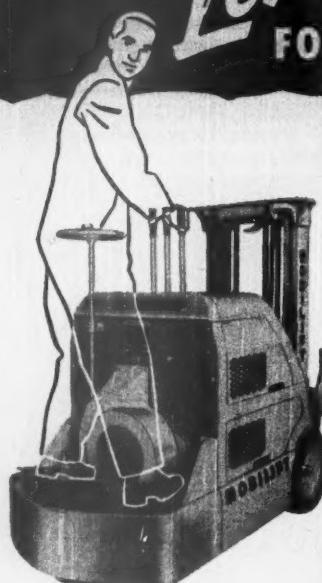
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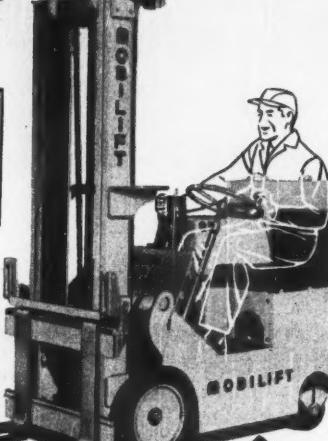
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BUSINESS WEEK • Dec. 9, 1950



*Felt our name  
lately?*

Every time you use a Bell telephone like this your fingers touch our name, *Western Electric*... and that's your clue to what we do.

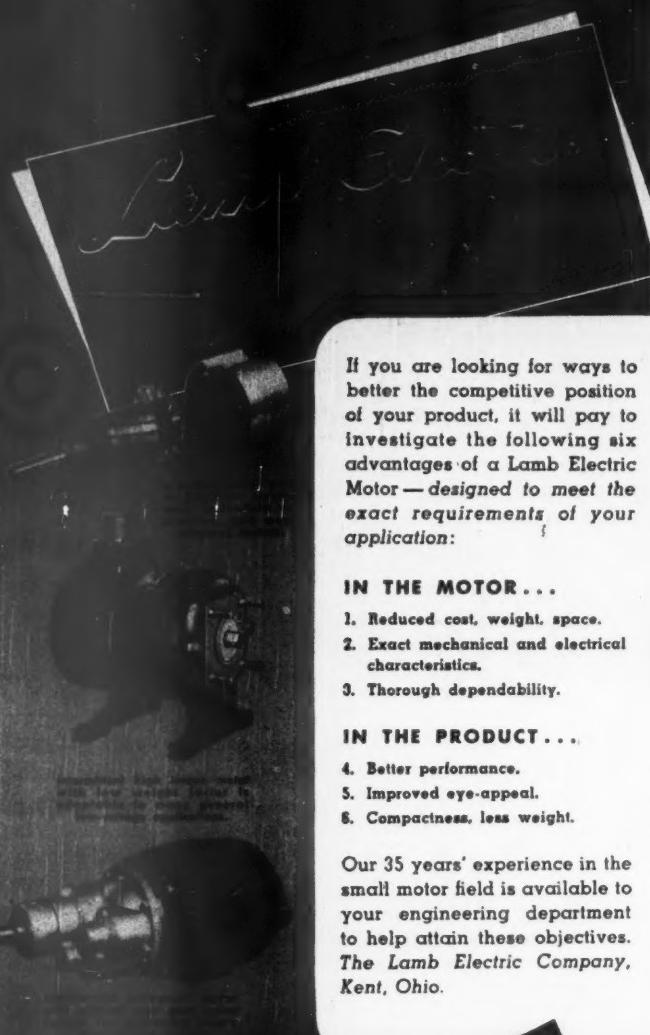
For 68 years we've been the manufacturing unit of the Bell System. So we *don't* make refrigerators, toasters, television sets or motors. We *do* make good telephone equipment...like telephones, cable, switchboards and literally thousands of kinds of things that make good telephone service possible.

Working side-by-side with Bell Laboratories people who design telephone equipment and Bell telephone people who operate it, we have helped to give our country the most and the best telephone service in the world. Valuable always, such service is priceless in times of national emergency.



A UNIT OF THE BELL SYSTEM SINCE 1882

# 6 ways to cut costs and improve your product



If you are looking for ways to better the competitive position of your product, it will pay to investigate the following six advantages of a Lamb Electric Motor — designed to meet the exact requirements of your application:

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1. Reduced cost, weight, space.
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3. Thorough dependability.

#### IN THE PRODUCT...

4. Better performance.
5. Improved eye-appeal.
6. Compactness, less weight.

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They're Going Into America's Finest Products

**Lamb Electric**  
SPECIAL APPLICATION  
FRACTIONAL HORSEPOWER MOTORS

## Highlights In This Issue

### Disaster in Korea

- How it is changing foreign policy, military policy, and controls, as well as the draft. P. 19

### Power Steering

- You don't have to shift gears any more. Next to go: cramping the wheels when you park. P. 21

### Another Round

- 16¢ more pay for steelworkers sets off (1) another go-round on wages, (2) a cycle of price increases. P. 26, 88

### What Makes Kaiser Run?

- Time was, it was the government. But things are different now, despite the new RFC loan. P. 31

### Shackling the Weatherman

- Pretty soon you'll have to ask government permission even to make it rain. Washington and the states are both readying new laws. P. 58

### Lagging Behind

- Drugstores are getting a steadily smaller share of consumers' soft-goods dollars. One explanation: too much pharmacy. P. 66

### More Titanium

- Kennecott Copper and New Jersey Zinc have a new reducing process, are starting to tap the biggest deposit of all. P. 42

## THE DEPARTMENTS

Business Abroad .....	101
Business Outlook .....	9
Defense Business .....	75
Finance .....	78
International Outlook .....	99
Labor .....	88
Management .....	31
Marketing .....	65
The Markets .....	86
New Products .....	51
Production .....	42
Readers Report .....	57
Resources .....	58
Small Business .....	38
The Trend .....	108
Washington Outlook .....	15



## Adhesives do it better

Business historians probably will never call this the age of adhesives. Nevertheless, there is a mild kind of revolution going on in the way things are being done and being made. Surprisingly often an adhesive is the key to these innovations.

Years ago, for example, everybody took for granted that a paper label would be stuck on with glue. A metal nameplate, with equal finality, called for some form of mechanical fastening. Today, however, an adhesive usually can do this job better and more economically.

In the paper field, there's no need to fashion a separate core on which to wind paper tape. A touch of a fast-setting adhesive to the first few turns and the paper itself merges into a hard, tough core. This is not only cheaper but also often better than a conventional tube.

Fixture makers no longer must be resigned to screws that periodically pull out of plastered walls. Adhesives take over this job, too, to provide permanent fastening to any kind of wall surface.

It's altogether likely that adhesives may have an important role to play in making your product. We'd like to discuss with you any ideas you may have in that connection. Write or call Armstrong Cork Co., Industrial Adhesives Department, 5012 Reservoir St., Lancaster, Pa.

### ARMSTRONG'S ADHESIVES

Made by the makers of Armstrong's Linoleum



A centrifugal compressor being assembled at the Sturtevant plant.

## How do you cool an atomic pile?

*Putting Air to work...*

...helped solve the problem here at Brookhaven National Laboratory. Naturally, there isn't too much we can tell, but here are some facts that should be mighty interesting to anyone faced with an air-moving task.

A continuous blast of air has to flow through the nuclear reactor to cool it . . . and it *must keep moving*. This vital job is entrusted to Westinghouse centrifugal compressors.

Each of these giants is 12 feet high, and houses a nine-bladed, all-steel compressor wheel. They handle air at high temperatures and operate safely, dependably and economically with the fan tips whirling at 450 mph.

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*Westinghouse-Sturtevant Centrifugal Compressors, Fans, and Blowers find wide use in all types of Power and Industrial Plants, Commercial and Public Buildings.*

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# BUSINESS OUTLOOK

BUSINESS WEEK  
DECEMBER 9, 1950



Chances of a business setback in the first quarter of 1951 look less and less likely. At worst, activity will reach a plateau, rather than slide off.

Some forecasters have been figuring that dislocations in men and materials—due to the switch from civilian goods to defense hardware—would cause a "transitional" period, during which output would drop, unemployment rise.

A short dip might have been a fair bet as long as the military buildup was jogging along at a lethargic pace.

But now, the huge defense program is a sharp good for industry to take up any slack wherever it occurs. After the first couple of months of next year, the government will tighten the screws on materials a few more turns. That's a sharp incentive for businessmen to do a little stockpiling of their own in the meantime.

Moreover, the National Production Authority took another look at the size of the first-quarter material cutbacks.

Symington, chief of the National Security Resources Board, was all set to take more raw materials than arms production needed—the difference to go into the stockpile.

Businessmen and labor leaders pointed out—strongly—that the economy would slow up. Result: Production in the early months of next year won't be hit so hard as NPA first intended.

Even aluminum, so necessary for the rapidly expanding aircraft program, is to be in a little freer supply next month than the original curb allowed. The civilian quota for January has been upped from 65% to 80% of use in the first six months of 1950.

Large stocks on the shelves will enable many businesses to cushion the effects of coming cutbacks.

Manufacturers' inventories at the beginning of last month were \$31.4-billion, up almost \$1-billion in a month (with both durable and nondurable goods sharing in the increase).

New orders went up faster than sales, so order backlogs got a boost of \$1.7-billion; they now stand at \$35.5-billion.

The major drops in output will come in autos, houses, and appliances.

But at the same time, other industries are hungry for the steel and components that will be cut loose.

Here are two examples of what is happening to materials:

(1) In the first four months after Korea, spending for the armed services was actually below year-ago figures.

Last month it was 30% above; from now on it'll spiral upwards at a much greater rate.

(2) The manufacture of machinery accounts for some 15% of industrial activity—and production is rising rapidly. In October, output rose 5% in a single month's time.

In the economy as a whole there will be rising activity—even after some drop in consumer durable-goods production.

Output of steel, nonferrous metals, and nearly all basic industrial raw materials will be stepped up in the next few months.

There may well be pockets of both unemployment and dullness. But

# BUSINESS OUTLOOK (Continued)

**BUSINESS WEEK** told the over-all expansion of industry should counterbalance any consumer-goods contraction.

DECEMBER 9, 1950

Rarely has business had such assurance of the prospects for the year ahead.

Of course, not all will benefit by the switch to a garrison economy.

But the only restrictions on over-all production will be the quantity of materials and manpower available to put the stuff together.

A return to large-scale deficit financing is just ahead.

A pay-as-we-go program might have been set up if expenditures hadn't jumped so sharply as they did. But taxes heavy enough to cover \$75-billion budgets are not very likely.

Net result: further depreciation of the dollar, either now or—if price controls are slapped on—when the controls come off.

The resistance to controls is breaking down.

A short while ago, most government officials thought controls either wouldn't be necessary or were miles in the future.

This week Secretary Snyder (among others) told Congress that general controls were just a matter of time.

Tighter credit controls have slipped a halter over the runaway credit boom.

In October, even before a stricter Regulation W had time to take full effect, instalment credit rose by only \$42-million. It had been rising over \$300-million a month since last April.

Take autos alone. The Federal Reserve Board shortened the payment period from 21 months to 15 months, hoping that would cut sales.

It did. The latest figures show that there was an \$18-million net increase in credit in October. The same month last year, \$110-million more was put on the cuff.

The value of housing put in place took only a 10% drop last month. The big drops won't show up until next year, when the Federal Reserve Board's toughened Regulation X takes hold.

Work done in November reflected the comparatively high number of starts in September. (The dollar volume of work on a home reaches a peak about two months after it has been started.)

Prodigious efforts are being made to expand plant capacity.

For the first 11 months of the year, industrial construction was up only 3% over 1949; last month it zoomed 74% over the same month a year ago.

Total construction for 1950 should top \$27-billion—which would be some \$4½-billion over record 1949.

Materials controls, so far, haven't hurt much.

In the case of rubber, the National Production Authority has been trying to keep use down to 90,000 tons a month. But the number of "hardship" cases that get relief push consumption well over that limit.

In October, use of rubber bounced up to 118,000 tons—a new monthly record.

Your Best True  
Investment Today...  
and for Years to Come...  
is a *White*



THIS ENTIRELY NEW WHITE 3000 is an investment in extra truck earning power today—and for years to come because this handsome new White *stays* new! Truly modern, its functional design eliminates "style" obsolescence.

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FOR MORE THAN 30 YEARS  
THE GREATEST NAME IN TRUCKS



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# DAVISON



## Staked—Raw Materials for Progress

Chemists believe that phosphorus and fluorine are two extraordinary sources of greater welfare for us all.

The Davison mining properties are rich in these raw materials for progress and

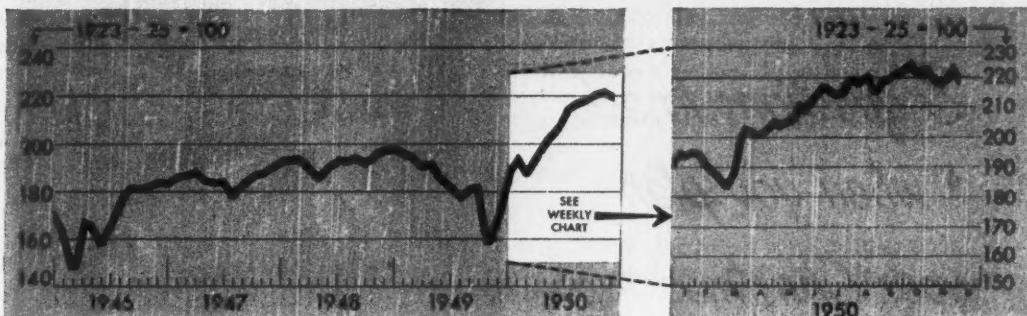
Davison research is already developing new products from them and opening new, profitable markets.

Of course, this creative research and wide experience are always at your disposal.

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"Progress through Chemistry"

THE DAVISON CHEMICAL CORPORATION  
Baltimore 3, Maryland

# FIGURES OF THE WEEK



## Business Week Index (above) . . . . .

### PRODUCTION

	\$ Latest Week	Preceding Week	Month Ago	Year Ago	1947 Average
Steel ingot operations (% of capacity).....	100.5	81.7	103.0	91.7	97.3
Production of automobiles and trucks.....	151,004	+122,683	177,096	72,994	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$51,969	+\$36,924	\$35,108	\$36,077	\$19,433
Electric power output (million kilowatt-hours).....	6,716	6,508	6,551	5,743	3,130
Crude oil and condensate (daily average, 1,000 bbls.).....	5,825	5,888	5,896	5,106	3,842
Bituminous coal (daily average, 1,000 tons).....	1,810	+1,974	1,942	2,458	1,685

### TRADE

	\$ Latest Week	Preceding Week	Month Ago	Year Ago	1947 Average
Miscellaneous and l.c.l. carloadings (daily average, 1,000 cars).....	81	81	85	68	86
All other carloadings (daily average, 1,000 cars).....	58	58	63	55	52
Money in circulation (millions).....	\$27,543	\$27,450	\$27,219	\$27,542	\$9,613
Department store sales (change from same week of preceding year).....	-3%	+8%	+5%	-5%	+17%
Business failures (Dun & Bradstreet, number).....	160	146	181	221	228

### PRICES (Average for the week)

	\$ Latest Week	Preceding Week	Month Ago	Year Ago	1947 Average
Cost of Living (U. S. Bureau of Labor Statistics, 1935-1939 = 100), Oct. . . . .	174.8	...	173.8	168.5	105.2
Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	483.2	479.5	475.9	345.6	198.1
Industrial raw materials, daily index (U. S. BLS, Aug., 1939 = 100).....	337.1	336.5	329.9	227.6	138.5
Domestic farm products, daily index (U. S. BLS, Aug., 1939 = 100).....	361.3	359.4	352.2	297.7	146.6
Finished steel composite (Iron Age, lb.).....	4.128¢	3.837¢	3.837¢	3.705¢	2.396¢
Scrap steel composite (Iron Age, ton).....	\$40.75	\$40.75	\$41.67	\$27.92	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	24,500¢	24,500¢	24,500¢	18,500¢	12,022¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$2.26	\$2.24	\$2.22	\$2.25	\$0.99
Sugar, daily price (raw, delivered New York, lb.).....	6.21¢	6.17¢	6.20¢	5.72¢	3.38¢
Cotton, daily price (middling, ten designated markets, lb.).....	42.25¢	42.95¢	40.34¢	30.08¢	13.94¢
Wool tops (Boston, lb.).....	\$3.35	\$3.35	\$3.15	\$1.92	\$1.41
Rubber, daily price (ribbed smoked sheets, New York, lb.).....	70.30¢	65.75¢	71.50¢	17.16¢	22.16¢

### FINANCE

	154.2	158.4	156.1	129.8	78.0
90 stocks, price index (Standard & Poor's Corp.).....	3.22%	3.21%	3.23%	3.34%	4.33%
Medium grade corporate bond yield (Baa issues, Moody's).....	2.67%	2.67%	2.67%	2.60%	2.77%
High grade corporate bond yield (Aaa issues, Moody's).....	11-13%	11-13%	11-13%	11-13%	1.00%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	11-13%	11-13%	11-13%	11-13%	1-4%

### BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	50,546	+\$49,850	49,471	47,648	+\$127,777
Total loans and investments, reporting member banks.....	69,923	+\$69,668	69,237	66,839	+\$132,309
Commercial and agricultural loans, reporting member banks.....	17,097	+\$16,988	16,529	13,775	+\$16,963
Securities loans, reporting member banks.....	2,463	2,204	2,083	2,249	+\$1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks.....	32,984	+\$33,306	33,535	37,248	+\$15,999
Other securities held, reporting member banks.....	6,353	6,326	6,315	4,978	+\$4,303
Excess reserves, all member banks.....	720	610	760	671	5,290
Total federal reserve credit outstanding.....	20,501	20,162	19,860	18,267	2,265

\*Preliminary, week ended Dec. 2.

\*\*Estimate (BW—Jul. 12 '50, p. 16).

†Data for "Latest Week" on each series on request.

‡Revised.

# 3 questions to ask when you plan your Christmas trip



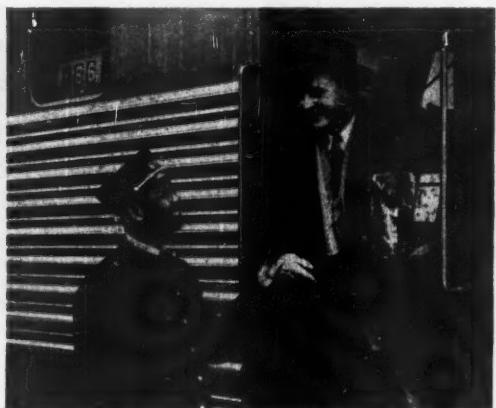
**2 "How comfortable?"** Your mind is as carefree as a child's as you sleep deep and undisturbed on your Pullman bed. And in the morning you freshen up and dress at your leisure. You have complete toilet facilities, hot and cold running water, *everything* you need to prepare for a welcome Santa himself would envy.



It won't be Christmas without you. So plan now to go home for the holidays. And for railroad travel at its best, plan to go Pullman. To be sure of getting the reservations you want, see your ticket agent early.



**1 "How safe?"** The weather is something you talk about—not worry about—when you go Pullman over the Christmas holidays. Throughout your trip your peace of mind is as weather-proof as your Pullman accommodations. You know you're *even* safer in a Pullman crossing the country than you are in your own home.



**3 "How dependable?"** You get *where* you want to be *when* you want to be there . . . when you go Pullman. And you're the very spirit of Christmas as you arrive in the center of town—rested, relaxed, ready for fun. (Christmas season or any season, go Pullman—the safe, comfortable, dependable answer to *all* your travel questions.)

# Go Pullman

COMFORTABLE, DEPENDABLE, AND—ABOVE ALL—SAFE!



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# WASHINGTON OUTLOOK

WASHINGTON  
BUREAU  
DEC. 9, 1950



**It looks as if the defense effort will be converted into a war program.**  
More materials controls, more drafting are coming soon.

This doesn't mean World War III is here, too. An all-out conflict is still up to Russia. But Washington at last seems persuaded that the danger of war is so great that anything short of a rapid preparation is too big a gamble to take.

The fear is that Russia will move on Europe.

**We lose in Korea.** The magnitude of the defeat is up to Red China. She can drive our present forces out (military men agree she has the power). Of course, we could try full-scale war in the Far East. But that would invite the Russians to take over in Europe, a probability that Washington feels must be guarded against at any cost.

**The damage is great,** in terms of U. N. prestige, meaning U. S. prestige. But avoiding a showdown now may buy time to build up strength for later. At least that's the hope behind the shift toward full mobilization, which is being made in an atmosphere of national emergency.

**Will Truman follow through?** That's a shocking question. But it's being asked on all sides, because past crises have been followed by letdowns. The defense program was beginning to drag when China moved in. It's politically hard to face the discomforts of a big arms effort, unless there's full-scale war. But after the warnings of Korea and China, the political danger to the Administration is in being caught short again. This will provide push. The mail congressmen get from home is wrathful.

**Home effects of a swift mobilization** can be foreseen in broad outline. Scarcities and controls will spread and multiply. In the months ahead, your business and personal life will get closer and closer to a wartime basis.

**Manpower shortages will grow,** as the draft calls up more young men and more reservists and guardsmen are ordered to duty.

**And so will material shortages,** as the new billions for defense orders go out and become claims for steel and the other essentials of war.

**Controls will be expanded.** The government will say not only what defense gets, but what can be made for civilians from the leftovers.

**Cuts in civilian output will be deep.** You can figure that anything made of metal will be harder to find and higher-priced in 1951.

**Taxes will rise sharply** on both individuals and corporations. But the rise won't be fast enough to avoid future deficits.

**Inflation will remain a pressing danger.** For bigger defense spending will create consumer buying power without creating consumer goods.

**Timing of the economic tightening is uncertain.** But the guessing by officials is that the whole schedule will be advanced. Economic controls from Washington will govern most major business decisions by next midyear, at the latest.

**Congress will back an all-out effort.** There's bitterness over Korea. But there's also fear that the miscalculations that put us on the spot in the East may lead to bigger troubles elsewhere. This serves as a prod to

# WASHINGTON OUTLOOK

(Continued)

WASHINGTON  
BUREAU  
DEC. 9, 1950

vote huge defense outlays as a safeguard against diplomatic weakness. Besides, a more rapid buildup of strength will help quiet uneasiness here at home and reinforce the morale of our wavering allies abroad.

**The rearmament program is snowballing.** It has been brought together in bits and pieces; the full proportions have not yet been determined because Army, Navy, and Air Force haven't agreed on an integrated plan. Nonetheless, the outlays will be vast.

**For our own armed services,** authorizations for the current fiscal year now add up to \$41-billion, from the pre-Korea program of \$13-billion. Atomic energy (mostly military) and stockpiling add \$6-billion more.

**Arms for allies** add on another \$5-billion, to boost the grand total over the \$50-billion mark, as of now.

**Another boost is planned for next year—fiscal 1952.** The prospect had been that the Army, Navy, and Air Force would stabilize at the rate of some \$40-billion yearly. Now the odds are on the side of a big rise. Aid to our allies will zoom, too (Truman and Attlee have worked out plans). Note that these figures are program figures—a measure of what will be available for spending and not of the rate of spending. But they will determine the spending figure in future years—make it huge.

•  
**Excess-profits tax:** Congress will vote it, probably this month. It will be retroactive—hit part of this year's "excess profits."

**Individual income taxes:** Congress doesn't want to up them, but the odds are that it will, before next midyear.

**Excise taxes to discourage buying:** They are a good bet for next year and will hit luxuries and consumer durables, such as autos and appliances.

**There will be big deficits.** The "pay-as-you-go" theory is now out. It was based on the prospect that defense would rise gradually and would not shove total spending above \$60-billion. Now Washington figures that spending will rise in a year or two to \$70-billion, and maybe more. Taxes can't keep up with that pace. This will add to the danger that inflation may get out of hand.

•  
**Wage-price controls:** Plans to make them work are far from complete, but the objective is to stabilize near present levels. On the price side, that means living costs at an all-time high. On the wage side, fifth-round raises—the last dramatic one being in steel (page 26)—will be allowed to make a full circle, but a sixth round is out.

•  
**New England may get a steel mill financed in part by the government.** The project now is under active consideration by Symington's NSRB. The plan calls for local backing to the tune of \$100-million, with the government adding \$300-million or so. Chances are Symington will O.K. it, though the proposed government loan may be scaled down.

•  
**Will Russia wait while we rearm and build up the defenses of Europe?**

Only Russia can answer that, and her reactions may not be long coming. She has notified the State Dept. that she will "not tolerate" the arming of West Germany. West Germany is included in our plans to arm Europe.



## Counsel Offered ON METAL PROBLEMS

Because of unusually heavy industrial and defense demand, rationing of nickel has been in force since July 1st. However, we believe that dissemination of technical data and service experience can help to promote the intelligent utilization of critical materials, so essential in these times. We shall, therefore, continue to issue information on new developments and user experience with nickel-containing materials.

### STOCK AND SERVICE CENTERS FOR "INCO" PRODUCTS

The following are sources of supply for primary nickel for alloying purposes. Through casting specialists, they are prepared to offer technical service on the production of ferrous and non-ferrous castings containing nickel.

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J. M. Tull Metal & Supply Co.  
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#### BALTIMORE 17

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Company, Inc.  
413 West North Avenue  
Tel. Lombard 2-3300

#### BUFFALO 2

Whitehead Metal Products  
Company, Inc.  
100 Court Street  
Tel. Cleveland 1473

#### CAMBRIDGE 39, MASS.

Whitehead Metal Products  
Company, Inc.  
281 Albany Street  
Tel. Worcester 6-4880

#### CHICAGO 21

Steel Sales Corporation  
3348 South Pulaski Road  
Tel. Bishop 7-7700

#### CINCINNATI 29

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2331 Fredonia Avenue  
Tel. Capitol 3000

#### CLEVELAND 14

Whitehead Metal Products  
Company, Inc.  
3100 Perkins Avenue  
Tel. Utah 1-8000

#### COLUMBUS 3, OHIO

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Tel. Kildare 1823

#### DALLAS 1

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Tel. Elmhurst 3731

#### DENVER

Metal Goods Corporation  
Municipal Service Center  
37th at York  
Tel. Acme 8891

#### DIXON 10

Steel Sales Corporation  
5181 Weston Avenue  
Tel. Tyler 6-3000

#### EDMONTON, ALBERTA

Whitehead Metal Products  
Company, Ltd.  
8411 103rd Street  
Tel. 38834

#### HARRISON, N. J.

Whitehead Metal Products  
Company, Inc.  
1050 South 4th Street  
Tel. Hemlock 5-8800

#### HOUSTON

Metal Goods Corporation  
711 Milby Street  
Tel. Central 5881

#### INDIANAPOLIS 2

Pacific Metals Corporation  
1816 North Meridian Street  
Tel. Talbot 1900

#### KANSAS CITY 8, MO.

Steel Sales Corporation  
2201 Grand Avenue  
Tel. Victor 7270

#### LOS ANGELES 21

Pacific Metals Company, Ltd.  
1400 South Alameda Street  
Tel. Prospect 0171

#### MILWAUKEE 4

Steel Sales Corporation  
647 Wisconsin Avenue  
Tel. Davis 8-4840

#### MINNEAPOLIS 15

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Tel. Nestor 8814

#### MONTREAL 1

Robert W. Burtram, Limited  
486 Craig Street West  
Tel. University 3711

#### NEW HAVEN 13

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Company, Inc.  
288 Church Street  
Tel. New Haven 8-8575

#### NEW ORLEANS 12

Metal Goods Corporation  
432 Julia Street  
Tel. Canal 1272

#### NEW YORK 14

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Company, Inc.  
201 West 10th Street  
Tel. Watkins 4-1400

#### PHILADELPHIA 40

Pacific Metals Company  
Company, Inc.  
1945 Hunting Park Avenue  
Tel. Baldwin 9-2332

#### PITTSBURGH 32

Williams and Company, Inc.  
801 Pennsylvania Avenue  
Tel. Cedar 1-8000

#### PORTLAND 12, ORE.

Metal Goods Company  
2123 N.W. 11th Avenue  
Tel. Fazedo 5301

#### ST. LOUIS 10

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Tel. Grand 5355

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1180 South Main Street  
Tel. Salt Lake City 8-3421

#### SAN DIEGO 1

Pacific Metals Company, Ltd.  
1833 India Street  
Tel. Franklin 8-8236

#### SAN FRANCISCO 18

Pacific Metals Company, Ltd.  
3100 Nineteenth Street  
Tel. Mission 7-1104

#### SEATTLE 4

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3628 East Marginal Way  
Tel. 5hot 4764

#### SPokane 8

Englehardt Company  
2209 Trent Avenue  
Tel. Madison 5418

#### SYRACUSE 4

Whitehead Metal Products  
Company, Inc.  
207 W. 2nd Street  
Tel. Syracuse 3-2156

#### TOLEDO 2

Williams and Company, Inc.  
860 East Woodruff Avenue  
Tel. Woodruff 2-8101

#### TORONTO 5

Alloy Metal Sales Limited  
881 Bay Street  
Tel. Princess 2331

#### TULSA 3

Metal Goods Corporation  
325 North Boston Street  
Tel. Tulsa 4-1175

#### VANCOUVER, B. C.

Wilkinson Company, Ltd.  
Tel. Fairmount 8101  
190 West Second Avenue



**THE INTERNATIONAL NICKEL COMPANY, INC.**

67 WALL STREET  
NEW YORK 5, N.Y.

ONE OF A SERIES OF MESSAGES ON MICRO SWITCH LEADERSHIP IN THE PRECISION SWITCH FIELD

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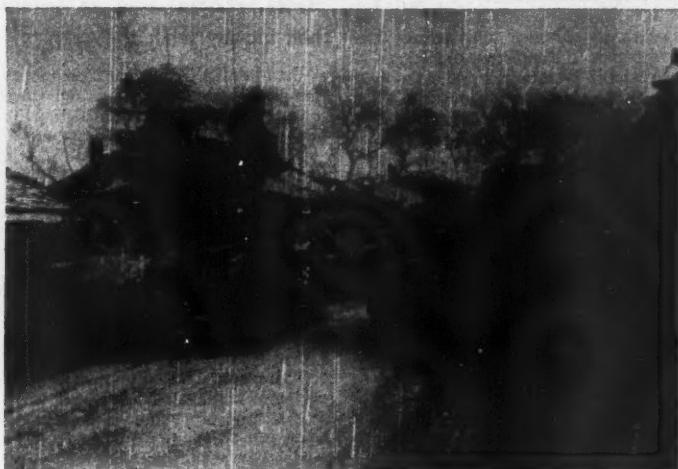
**MICRO...first name in precision switches**



# BUSINESS WEEK

NUMBER 1110

DECEMBER 9, 1950



RETREATING TROOPS on the Korean front leave Washington only one course . . .

## Now: More Mobilization

**Disaster in Korea produces: possibility of immediate price and wage controls, certainty of more armament spending and stricter material controls.**

Washington, this week, is suffering a lot from hysteria—but more from the pain of making some critical decisions.

The bad news from Korea has the Administration and most of Congress worried sick. It seems that Chinese Communists have made it stark clear that they can drive us out of Asia any time they are prepared to make the effort. The great fear now: that Europe will be so panic-stricken by this evidence of U.S. inability to match Red power as to lose all stomach for joint resistance against Soviet pressure.

• **Gesture**—From the cabinet down, every official is convinced the times call for an heroic gesture—any gesture, just so it has the ring of strength.

At midweek, almost everyone was sure Truman would make such a gesture soon—maybe even declare a national emergency, with the whole bagful of economic controls thrown in.

The speculation was based mostly on feel. And the big feeling is that the U.S. has drifted long enough. Piece-meal "police action" only drained the West's strength, already inadequate; now is the time to get the mobilization program rolling in earnest.

The Truman-Attlee conferences had some effect on keeping the West together. But on terms like these: American emotions on behalf of Nationalist China or U.S. repugnance for the Mao regime would have to be tempered. America will just have to face facts.

Truman is almost forced to buy time in Asia. He hasn't much choice; he dare not commit undermanned American power in a China war, or in Indo-China, or Indonesia. And he doesn't really have to put on a flag-waving show to shift the mobilization into high gear; the Defense Production Act provides practically all the powers that even a nation at war would need.

But trumpet-blowing would make the bad news of regimentation more palatable. And it would serve to convince jittery allies that the U.S. still means business.

• **Speedup**—Regardless of just what sort of move Truman makes, every phase of mobilization seems certain to be expanded. The gradual buildup to a semi-garrison state is over. Truman says we'll be doing just as we planned—but more rapidly.

One thing to remember: Truman has

acted on impulse before. But each time the Administration began to let things drift once the crisis passed. You saw that as late as October, when MacArthur was on the march.

• **Pressure**—But short-range, you've got to figure that the Administration will put pressure on—heavy. And this is about what to expect:

### I. Tighter Industrial Controls

Industry won't feel the new emergency at first in any dramatic new production—but the government's hand will get heavier almost immediately. National Production Authority will bear down on cutbacks of critical materials for nonmilitary uses. And that means civilian demand will be bound to back up so much that end-use bans, or scheduling of essential production, will soon show up.

New metals will be added to the cut-back list. This week NPA warned that nonessential uses of steel would have to be cut back. The restrictions now on rubber, aluminum, copper, and the like will be administered more rigidly; this week's easing of the aluminum order (page 75) will stick, but there won't be so liberal use of "hardship" allowances.

• **Dislocations**—If this means some dislocations, with attendant unemployment for a spell, the government will say: That is the price of defense.

Long-range, allocations, or other trappings of a Controlled Materials Plan, also must be expected. The need for them will come, NPA says, when military production catches up with military appropriations.

All signs point toward spring, or late February at the earliest, as the time when defense orders will first put a real pinch on materials.

Some plant dislocations can occur beforehand, though. Companies holding phantom orders from the Pentagon will be in for a major switch-over under a total mobilization. They have to stop their civilian line of production and shove the defense items ahead.

And plants that are part of the national reserve—former surplus plants on which the government holds a priority—will be subject to immediate conversion to war production.

### II. Price-Wage Controls Now

Even while Truman and Attlee were still mulling over the Soviet threat and what might be done about it, cabinet-ranking officials had already decided on the

inevitability of price and wage ceilings.

Timing was still uncertain—whether to move now or delay until plans are more complete. And so was the question of how far to go at the start—whether to put ceilings on a limited list of basic materials, or try to control everything.

Government officials no longer believe they have to wait for a full-fledged OPA-type enforcement organization before they can try a freeze. A big part of all business can be expected to go along; the chiselers can be caught up with later.

• **The Right Time**—The big question is: At what level do you freeze? That might take a little while yet to decide. Stabilization Administrator Valentine says that today's price-wage level might be a good one to hold to. The steel settlement didn't rupture the fifth-round wage pattern; prices of a lot of consumer goods are moving sideways on a plateau.

On that view, now is the time to freeze things—to avoid the ticklish problem of rollbacks later on. But this would still leave some knotty problems. What about escalator clauses in union contracts—wage rates tied to the cost of living? And what about the increased cost of steel, which is still to be translated into higher prices of finished goods? Even so, one view is that all this can be left hanging for a couple of months until the adjustment machinery starts functioning.

Valentine's new price man, Toledo mayor DiSalle, has already collared some government price experts, and is setting up the various divisions—manufacturing, retailing, servicing, and so forth—to run the price ceilings.

### III. How Much Defense?

Some astronomical figures are coming on defense appropriations. In themselves they don't have too much meaning as a measure of industrial conversion to war production. Delivery schedules and spending rates are more revealing.

But "billions for defense" does have a psychological impact—and the military needs to do something big right now—even if only on paper.

• **\$75-Billion**—Seriously quoted at the Pentagon and among congressional military committee people is a \$75-billion rearment program—not counting European arms aid. That sounds absurdly high, even for an emergency.

But congressional appropriations experts say the \$41.8-billion earmarked for the year ending next June 30 must go up sharply in fiscal 1952 just to keep the current program accelerating at a constant rate.

Add \$5-billion or more for arms aid, and a few more for the Atomic Energy Commission and civilian defense, and

the total cost of preparedness gets to be staggering.

• **Spending**—Actual spending is not going to rise nearly so spectacularly. The way spending has been moving so far, the total for defense in fiscal '51 can't exceed \$20-billion.

But by spring, when much of the make-ready for such weapons as tanks and planes is completed, the Pentagon can start to prod industry to make their production schedules on time, and ahead of time.

• **\$45-Billion**—So defense spending for fiscal '52—under severe prodding—can total as much as \$45-billion. The rate at the end of the year, of course, will be higher, in the \$50-billions.

### IV. Men in Uniform

Military manpower sights will be raised somewhat—maybe to 3.5-million men. Just over 2-million men are under arms right now; by next June the figure would have risen anyway to 2.7-million.

The manpower goal still is 20 Army divisions (the Army now has 11), 84 Air Force groups (present total: 60), 16 Navy air groups (there are now 12) and supporting fleet units, 4 Marine divisions and 24 air squadrons (now 2 divisions and 18 air squadrons).

• **Tougher Draft**—The present draft can't muster the men wanted, let alone get the extra millions needed if full-scale shooting starts.

Congress will have to rewrite the draft law—to get 18-year-olds, 26-year-olds, and even fathers and veterans. A universal military service program is not out of the realm of possibility.

### V. Taxes Going Up

The new need for money assures passage of an excess-profits tax this session. It will be only slightly watered down from Truman's original request.

And a lot heavier taxes are still to come.

The excess-profits levy will impose a 75% rate on all profits exceeding 85% of the postwar average; it will bring in around \$4-billion a year. Since it will be retroactive to July, the bite on corporate profits in 1950 will be around \$2-billion.

This, plus last summer's stopgap tax increase, will lift the total tax take to near \$50-billion a year.

• **And More Coming**—What about next year? Like as not, Snyder will ask and get at least a five-percentage-point increase in corporate rates. That will bring in \$2-billion or more. Individuals will get hit for at least another \$3-billion.

Excises also will be used—higher rates on gasoline, tobacco, appliances and some of the so-called luxury items. Yield: around \$1-billion.

## Retailing Is Rosy

Christmas prospects are for a better year than last in most places. People want to spend their money while they can.

"Mr. John Q. Public has more money than he ever had before, and Mrs. John Q. is putting it in circulation for him while it'll still buy something."

That's the way a Richmond, Va., merchant sees Christmas, 1950. And it pretty well sums up the thinking on this year's holiday retailing. In the words of one expert, it all adds up to "a darn good season."

In most cases, the forecasters are talking of unit sales running anywhere from as good as last year to 5% better; on dollar sales, predictions range from 4% to 15% higher than 1949.

There are some dissenters. Dollar volume is lagging 3% behind last year's at this time in 11 Boston department stores. One medium-sized merchandiser in Detroit says, "I could talk about business in terms of four-letter words. But a six-letter word is better—it stinks." Unit sales are dragging in St. Louis, though dollar sales are up a bit. In New York, the optimism is temperate: "A little ahead of last year, but not so much as was expected," one retail economist put it.

• **Two-Way Pull**—The cautionary note crops up all over. This year, pressures are jerking the shopper two ways. Fat purses, threats of war and shortages are strong pressures to spend. Tighter credit, higher prices are pressures to go easy. It's as though the whole retailing world were operating under a huge system of checks and balances.

That's why most long-term prophets throw up their hands. One Los Angeles store executive thinks the war news will have a terrific impact once it really sinks in. And the impact might hit either way. People might become panicky and stampede the stores. Or, on the other hand, they might tighten up and keep their money.

But right now it's plain where the winning pressure lies; it's in that heavy wallet that's pulling the customer to the counters.

• **Weather**—There's one catch that has nothing to do with the war and the boom: the weather. Weather has done the retailer dirt in some areas. The long warm fall slowed down apparel in Boston, hurt New York's pre-Christmas sales. Storms in the East dealt a staggering blow.

• **Inventories**—Aside from the weather, retailers admit to few worries from now till the yearend. Inventories are high,

yes. A couple of big Minneapolis stores report them up 25% over 1949 levels; 15% is a commoner figure. A New Yorker says loaded inventories point to big clearances in January.

But few stores will say they are overstocked. Neither do they report any extraordinary reordering or—except for toys and some appliances—trouble in getting orders filled.

• Regulation W—Regulation W has proved to be a bogey, but only up to a point. The big-ticket items have been hit (BW-Oct. 21 '50, p19). Tiche-Goettlinger, in Dallas, says tighter credit has virtually killed its sales of refrigerators and washers. Seattle's Bon Marche reports Regulation W "definitely has hurt the appliance business," and pianos are way off. But "if it hurts one line, it may push others that might not otherwise move," says a Detroit.

In Cleveland, tight credit pinched for a couple of weeks. Now business is bouncing back. Says William Gray, president, Cleveland Retail Men's Assn., "People aren't paying any attention to it." A Minneapolis merchant is philosophical about it: "Unquestionably, Regulation W has killed some big-ticket sales," he says. "But that was what it was supposed to do." Credit sales have dropped in spots, but by no means everywhere.

• Prices Up—Prices are up almost everywhere—from 3% to 10%. In some places, the rises hardly show, mainly because the goods now selling were bought under contract some months ago. Boston is holding prices down, to try to counteract the slow start.

One spokesman says retailers are doing their best to hold them back, but bigger price tags are inevitable. A Boston retailer sees a big jump in January; most say it won't come till spring.

So far, signs of price resistance are practically nil. Neither is there any panic buying in sight. Some stores ruefully note they're still paying through the nose for the big buying spree of last summer. A St. Louis merchant feels the first panic goes further than Regulation W to explain the current slump in appliances.

• What's Selling—The big surprise in the best-seller group is television. Contrary to dire forecasts, it's going great guns in a lot of places, though in one or two places it's dead. On other items, there's little agreement. Apparel tends to show up on the weak list, though it rates high in spots.

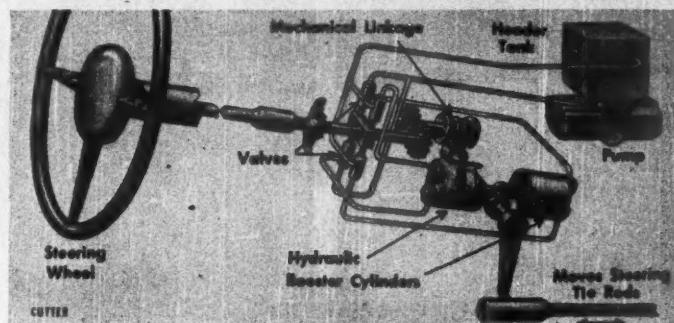
Take jewelry, to cite just one case. In one Seattle store, it's way below last year. But in San Francisco, expense is no object when it comes to watches and fine jewels. Even the president of one store gulped when a fellow walked in and laid down 6,000 iron men for a diamond: "Yeah, cash; wrap it up, and I'll take it with me."



CONVENTIONAL linkage takes muscle.



HYDRAGUIDE unit does the work.



HERE'S HOW: Steering shaft controls oil flow to booster cylinders.

## Now It's Power Steering

About the only work left in driving today is the labor of turning the steering wheel. It looks now as if auto engineers have eliminated even that chore. Last week Gemmer Mfg. Co. of Detroit, big independent supplier of steering gears, announced its development of Hydraguide, an hydraulic steering system, which draws on the engine to do seven-eighths of the steering work for you.

Gemmer's 39-year-old president, Frederick M. Hammond, says that Hydraguide will be installed in "some of the 1951 model Chrysler passenger cars." If Chrysler follows usual industry practice, the system will be standard equipment in its top-price line, optional at extra cost on lower-priced models. Hammond believes that later, "like other revolutionary motor car developments, Hydraguide will become standard equipment on all passenger cars."

• How It Works—The guts of the system are laid out in the diagram above.

The steering shaft is built in two pieces that are joined by a universal joint. The lower half of the shaft has a little play in it, which leaves it free to tilt up or down, pivoting on a spherical bearing. When the driver turns the wheel to the left, the gear at the end of the shaft starts to climb up the gear beside it. This raises the lower half of the shaft, opening two of the

valves in the hydraulic circuit. Hydraulic fluid, under pressure in the line, then rushes into one of the booster cylinders, forcing the piston to move the steering tie rods.

But in moving the tie rods, the piston also rotates the gear facing on the worm gear in the mechanical linkage. This in turn rotates the worm gear faster than the steering wheel is turning it; so the gear at the end of the steering shaft is pushed back down to a neutral position, closing off all valves and holding the wheels where the driver turned them.

• Finger Steering—Conventional steering it; so the gear at the end of the steering wheel to turn the road wheels from one extreme to the other. Hydraguide is geared down to  $3\frac{1}{2}$  turns. Though the mechanical advantage is less, it's far easier for the driver to spin the wheel, because the motor is doing the work. Gemmer says that, even when the car is standing still, the driver can spin the steering wheel a complete turn using one finger.

That should end the wrestling match of parking. But—an even more important achievement—Hydraguide should reduce the hazard of blowouts. If a tire fails at high speeds, the steering wheel cannot be torn from the driver's grip. The hydraulic circuit takes the shock and holds the wheels straight.



Timbaire! in slow motion. Cables ease 212-ft. Douglas fir down onto logging road. Northgate's \$19,000 Christmas tree starts on its 70-mile journey.

## Tallest Christmas Tree

Santa Claus, the original amateur toy retailer, turned professional long ago. More recently, his old-time adjunct, the Christmas tree, went in for promotion, too.

Take the new shopping center at Northgate, Wash. This busy clump of shops, north of Seattle, decided that a supertree would be a nice boost for sales. The result—200-plus feet of Douglas fir, 3,000 gleaming lights—is shown at left. Northgate's proud claim: the world's tallest Christmas tree.

Finding, felling, transporting, raising, and trimming the tree was quite a handful—\$19,000-worth, chipped in by Northgate merchants. The pictures on these pages give some idea of the massive chore.

A likely candidate was selected—\* allegedly by Santa Claus—on a tree farm of the Weyerhaeuser Timber Co., 70 miles from Northgate. An ideal trunk for plywood, the knot-free giant cost \$500 on the hoof.

Carefully anchored with cables, the



**2** The trailer is a long way off as tree goes a-traveling. That ominous sag—the tree weighs 25 tons—will disappear when the

trunk is hoisted into place. Straight-away haul was simple enough, but corners created tricky problems.



**3** Hills also gave trouble. Here traveling crane gives the drooping tip a boost to avert downgrade dragging.



**4** Natural tree had foliage at the top only. So branches were fastened on, like false whiskers on a Santa Claus.

## Packs Shopping Center

trunk was cut, then lowered gently onto a trailer-truck rig. The tree set forth, traveling easily on the straightaways, but having a tough time at corners. A power crane went along, hoisted the far end around some of the sharper corners. Special permits were secured so traffic could be blocked, sometimes for as much as an hour.

With the tree safe at Northgate, a new problem arose. The trunk—like any self-respecting product of the deep forest—was bald as an egg except where

its tip reached high toward the sun. To get that Christmas look, branches from other trees had to be roped and spiked onto the trunk. While the tree was still prone, the top third was fitted with its wig of greenery. Then the tree was hoisted into its final position with a gin pole, ready to receive the rest of its bogus branches. Four H-beams served as a cradle for the trunk; four others were used as anchors.

Killing two sales seasons with one stone, the tree was ready for business

at Thanksgiving, is continuing to do its stuff till after Christmas. The crowds have been gratifying to the merchants.

Besides the 3,000 conventional trimming lights, the tree sports a red aircraft warning beacon at its tip—perhaps to draw the helicopter shopping trade. The whole display lighting uses around 175,000 watts. As an added starter, there are 3,500 ft. of garlands of salal, a native evergreen dyed turquoise for the occasion.

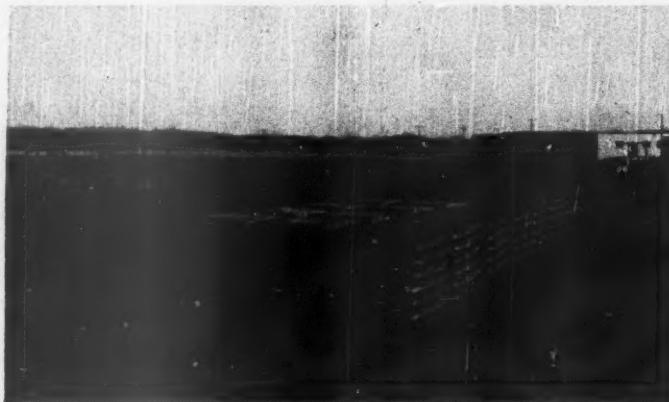
Even when the holiday buying season is ended, the tree will continue to be useful. Its thrifty owners plan to have it sawed up for plywood and lumber.



ZINC, LEAD, AND BAUXITE are stored in outdoor yard skirted by railroad.



TUNGSTEN is barreled in warehouse.



COPPER ingots and cathodes, weighing 250 lb. each, are stored in typical depot.

## Defense Stockpiles Grow Fast

Bigger appropriations will bring government stores of critical materials up to 85% of goal by next June. Aim is to have supplies for a five-year war on hand.

Increasingly over the past few months, the phase "for the nation's defense stockpile" has been used to explain where critical materials such as aluminum, copper, rubber, and chrome are going. Now that the pinch in these materials is really on, businessmen are beginning to wonder if these stockpiles actually exist, how big they are, where they are, and what they look like.

They do exist; the pictures above show three typical defense stockpiles. But government information on where

they are and exactly how big they are is under tight security wraps. This much is known: The aim is to amass sufficient key materials that come wholly or in part from outside the Western Hemisphere to sustain a five-year war. At current prices, the total cost of that pile will be \$3.7-billion.

• **Nearing the Goal**—Government agencies started buying for stockpile shortly after the war. By last June, they had built the reserves to 42% of the goal. Buying has been going on at a much faster clip since Korea. With new con-

gressional appropriations, stockpilers now have as much money to spend in fiscal 1951—ending next June—as they had over all the last four years.

With delivery of materials that were ordered last year, plus those purchased with the \$1.1-billion appropriation for 1951, the nation's stockpile will be 85% complete by next June.

It is possible to make some pretty intelligent guesses—based on trade sources and others outside the government—as to the goal for each material, the amount in stockpile now, and the main sources of supply.

**Copper.** The goal is about 24-million tons, of which only about 400,000 tons are in now. The government is buying about 26,000 tons a month from traditional suppliers in the U.S. It has negotiated contracts for future delivery from Canada. The 15% cutback in copper use beginning Jan. 1 will help build reserves.

**Lead.** The stockpile has over 200,000 tons. Buying has stopped.

**Tin.** The goal is 250,000 tons. Buying is heavy now—at an annual rate of about 55,000 tons. That's roughly as much as industry gets. The government has long-term contracts with Belgium and the Netherlands.

**Manganese.** The goal is about 3.75-million tons, of which less than 1-million tons is in reserve now. In all-out war, Western Hemisphere could supply less than two-thirds of U.S. requirements.

**Aluminum.** The goal is about 1.5-billion lb. Buying for stockpile has just started—at a rate of 300-million lb. a year. Reactivated World War II plants and some new capacity will supply most of it. Canada may supply the rest.

**Tungsten.** Government is reported to have 47-million lb. and to be plan-

ning to add another 10-million. In 1941, tungsten stockpile was only 6-million lb., in 1945, 33-million lb.

**Cobalt.** Industry use has been slashed 50%—largely to build up stockpiles. Third-quarter consumption reached a new high—2,126,138 lb. U.S. is heavily dependent on Africa and is trying to build up other sources on this continent.

**Chrome.** The goal is about 3-million tons. U.S. is helping Turkey, now the major supplier, to build up production.

**Rubber.** The goal is about 1-million tons. Tire manufacturers expect that use cutbacks will make 364-million tons of natural and 197-million tons of synthetic available for stockpile in 1951.

Actual buying for stockpile is done by the Emergency Procurement Service of General Services Administration. Munitions Board gives GSA orders on what to buy and how fast to buy it. If it's a material in tight supply such as aluminum or copper, CSA makes a quick check with its industry advisory committee to see what the effect of its purchase may be on the market.

## Supreme Court Assails Patenting of Gadgets

It will be tougher from now on to get patents on minor improvements. Last week the Supreme Court slapped the Patent Office down hard for granting a patent on a three-sided rack used on supermarket counters to pull groceries up to the cashier's station.

The majority ruled in favor of Great Atlantic & Pacific Tea Co., which had appealed after losing an infringement suit in the lower courts to Supermarket Equipment Corp.

• **Rebuke**—"The function of a patent is to add to the sum of useful knowledge . . . this patentee has added nothing . . . but has merely brought together segments of prior art and claims them in congregation as a monopoly," wrote Justice Jackson for the majority.

In a concurring opinion for himself and Justice Black, Justice Douglas wrote a stinging rebuke to the Patent Office:

"The Constitution never sanctioned the patenting of gadgets," Douglas said. "The Patent Office . . . has placed a host of gadgets under the armour of patents—gadgets that obviously have had no place in the constitutional scheme of advancing scientific knowledge."

Then Douglas listed a few of the "incredible" patent cases that had come to the nation's highest court: a door-knob made of clay rather than metal or wood; putting rollers on a machine to make it movable; an oval rather than cylindrical toilet paper roll, to facilitate tearing off the strips.

## Hitch in Quick Writeoffs

NSRB started a fight when it limited Jones & Laughlin's five-year amortization to 55% of its investment in new capacity, claiming plant will outlive the emergency.

The steel industry is disturbed and somewhat enraged at the treatment that Jones & Laughlin Steel Corp. got from National Security Resources Board last week. J&L had asked NTSB to grant accelerated amortization of its \$144-million expansion program (BW-Dec. 2'50,p25). NTSB granted the certificates of necessity—but they covered only 55% of the investment. It said that J&L could take fast amortization on only 80% of its new coke facilities, even smaller percentages—down to 35%—on other parts of the program.

• **Two Views**—Steel men insist that Congress intended to allow five-year writeoff on 100% of bona fide emergency facilities. And they say that a facility is either emergency or it isn't—there's no in-between.

But NTSB's chairman, W. Stuart Symington, disagrees. He feels that many of the plants will have some usefulness after the emergency is over and that quick amortization should not be allowed on that portion of the investment that outlives the emergency. And he thinks the law permits him to grant certificates that way.

• **The Law**—The law itself says: "There shall be included only so much of the . . . facility . . . as the certifying authority . . . has certified as necessary in the interest of national defense during the emergency period, and only such portion of such amount as such authority has certified as attributable to defense purposes."

Thus Symington obviously has the right to certify less than 100% of a plant that isn't going to be used solely for defense work. But does the law give him the authority to certify less than 100% of a plant that will be used solely for defense, during the emergency, if it appears that the plant will (or may) still be useful after the emergency is over?

The debate is not limited to the steel industry; it affects all other industries whose expansion is necessary to the war program. Unless Symington backs down—which doesn't seem likely—there's going to be tremendous pressure on Congress next session to clarify the law.

• **Subsidy or Insurance?**—Symington obviously feels that fast amortization is a privilege of great value that he is conferring on businessmen—something in the nature of a tax subsidy as an incentive to build new plants.

Businessmen emphatically disagree.

They look on fast amortization not as a subsidy but as an insurance policy—one that insures recovery of an investment even though it should become worthless before the end of the usual amortization period. They feel that they should be covered completely by that insurance, not just partially. And they argue that the government stands to lose nothing—and therefore is giving them nothing—by allowing them that full insurance.

• **Tax Saving**—The industry argument runs this way: Suppose Symington is right and a facility does turn out to have a useful life of 20 years. Under fast amortization, the company would pay much lower taxes on its income from the facility for the first five years. But it would pay higher taxes for the following 15 years since there would be no more depreciation to deduct from earnings.

Thus the government would come out, taxwise, about the same as if the facility had been depreciated normally over its entire 20-year life. In fact, the government might even come out ahead—if tax rates in the later period turn out to be higher than now.

• **Criteria**—Here are the criteria NTSB says it's using to decide whether a company is eligible for fast amortization—and if it's eligible, the percentage of total investment it can write off at the five-year rate.

• Construction completed before Dec. 31, 1949, is not eligible.

• Replacement of existing capacity is not eligible.

• The product must be needed for defense purposes.

• You must have management experience, responsibility, and a good credit standing.

• Plant location should be at least fair, from a strategic standpoint, and you should have a labor supply to draw on.

Even though you meet all these requirements, NTSB doesn't intend to give you a certificate of necessity for 100% of your plant if any part of it will be useful when the five-year period is over.

• **Application**—It's impossible to predict how officials are going to apply these general rules. Why, for example, allow five-year amortization on 80% of the cost of coke facilities—as they did for J&L—but allow only 35% for other parts of J&L's integrated expansion program?

# Steel Hike Fuels Inflation

New mill price hikes, averaging \$5.50 a ton, follow—and almost offset—rise in labor costs. Increase of steelworkers' wages averages 16¢ a hour.

This week the steel industry followed the lead of Big Steel in jacking up wages and prices. This is the first big whirl of a new inflationary whirlwind—a new round of price increases and wage increases.

New mill prices averaging \$5.50 a ton higher became effective immediately on all shipments, regardless of when orders were placed. Some prices were increased as little as 5¢ a ton-bars, plates, and structural shapes, for example. Some increases were 10 times that much, but they applied only to some high-alloy steels. Hot- and cold-rolled sheets were advanced \$5 a ton; cold-rolled strip was upped \$10 a ton.

The average price rise of 5½% followed and almost exactly offset an increase in labor costs. Wages for steelworkers are now going to run on the average of about 16¢ an hour higher (page 88).

• **Price of Peace**—The settlement came peacefully, but it did not come cheaply. Under the new Big Steel wage agreement, pay increases range from 12½¢ an hour for the lowest paid, to 28¢ for top-bracket employees. The agreement was duplicated by all other major producers except Weirton Steel, which has already announced it will top it. Overall, the corporation figures the boost will average 16¢ an hour or a little better.

Fattened payrolls will add 11% to the industry's labor costs. The wage increase is compounded by pension fund payments, which, calculated as a percentage of wages, must also rise. U.S. Steel estimates that it has signed up for \$125-million more in labor charges between now and December, 1951, when the present contract is due to expire.

• **Effects**—The steel deal will affect hundreds of employers now and in the next few months, although most of the other big unionized industries, with the exception of coal, have already settled 1951 wages. For the most part, these are companies in the steel-fabricating industries, which traditionally follow the wage pattern of the basic producers, companies with plants located in centers where steel mills are the dominant employer, and companies that have just been waiting—as many do—to see exactly what the steel settlement would be.

Thus the \$5.50 average per ton increase in steel prices that follows the steel wage boost is but a partial measure

of the increased costs soon to be encountered.

• **Surprise**—The steel wage boost won by the United Steelworkers was not unexpected either in industry or in government.

The surprise element was the size of the steel price increases. Although they figure out as a complete offset for the increased labor cost, they do not reflect other higher costs born by the steel producers. This is probably why Wash-

ington had little to say about the twin action on the steel wage and price front. The silence lent credence to a report that Big Steel's action had been given informal approval by Washington before it was announced.

• **Ceilings**—Spread of the steel price and wage boosts through the steel-consuming industries will make Washington officials unhappier. It probably will bring the imposition of price and wage ceilings a lot closer. Lack of a large staff in the Office of Economic Stabilization makes it almost impossible to slap on price and wage controls immediately, but Administrator Valentine may try to put voluntary price and wage stabilization into effect right now. Valentine figures that that at least would put a temporary brake on the inflationary spiral.



Ruffin Is President; Mobilization Is Theme

This year the South produced the new president of the National Assn. of Manufacturers. Succeeding New Englander Claude C. Putnam is William H. Ruffin, of Durham, N. C., president and treasurer of Erwin Cotton Mills.

Ruffin's election was announced to 3,000 big wheels of business who gathered this week for a three-day mobilization forum—the 55th annual meeting of NAM.

The program was loaded with speeches by government officials and military experts who tried to explain the international crisis to the assembled manufacturers. Secretary of Defense Marshall spoke at the closing banquet. Then the top management of business went back to their factories and offices where mobilization problems remain that are going to plague them for years to come.



# Signal of Security

Though tiny in terms of illuminating power, the glimmer of a Christmas Candle is in many ways the most piercing light in the world. For to those who would alter the meaning of American freedom, this glowing flame stands as a symbol of renewed faith in our Creator and in our inalienable rights to life, liberty and the pursuit of happiness.

Again this year it is our sincerest wish that the warming glow of the Christmas Spirit will burn brightly for you and yours. And we join with you in joy and thankfulness for our many blessings in this great land of ours.

# RYERSON STEEL

JOSEPH T. RYERSON & SON, INC. STEEL-SERVICE PLANTS AT: NEW YORK • BOSTON • DETROIT

PHILADELPHIA • CINCINNATI • CLEVELAND • PITTSBURGH • BUFFALO • CHICAGO • MILWAUKEE • ST. LOUIS • LOS ANGELES • SAN FRANCISCO

## BUSINESS BRIEFS

*The NEW wrap that  
brings home the Bacon  
IS MADE ON PACKAGE MACHINES*



Bacon in these modern, eye-catching packages gets off the counter fast...When leading packers needed a high-speed machine for producing this type of wrapping, they naturally turned to "PACKAGE".

We adapted our famous Model FA machine especially for their needs—and so enthusiastic were they about its performance, that orders followed in rapid succession. This machine permits the use of plain or printed transparent material, accurately registered on the package. Its specially designed sealing mechanism produces a virtually air-tight wrap. It can easily be adjusted for various sizes, and with one operator turns out up to 60 packages per minute.

### For a Better Package and Lower Costs

Throughout the package goods field, you will find "PACKAGE" machines standard equipment in plant after plant. So if you are seeking a better-selling package and lower operating costs, be sure to check with us. Our line covers wrapping, carton-forming and bag-making and filling machines.

*Write for our leaflet "Packages that Sell".*



NEW YORK      CHICAGO      BOSTON      CLEVELAND  
ATLANTA      DALLAS      DENVER      LOS ANGELES  
SAN FRANCISCO      SEATTLE      TORONTO      MEXICO, D.F.

**PACKAGE**  
MACHINERY COMPANY  
SPRINGFIELD, MASSACHUSETTS

**Auto prices jump.** General Motors raised prices about 5% on all 1951 passenger cars. Ford posted immediate boosts running from \$87.50 to \$165.

**Cigarette-tax dodge:** A special federal court ruled against it by upholding the Jenkins act. The law requires cigarette mail-order houses to furnish states with lists of their customers so local taxes can be collected. Next step: an appeal by the cigarette houses to the Supreme Court.

**A national air-taxi service** will be set up within the next few weeks. Air Transport Assn. and National Air Taxi Conference plan to base the taxis at about 50 main airline stops. Passengers will be able to fly to their destinations for 15¢ to 25¢ a plane-mile.

**Another "lend-lease" power plan** (BW-Nov. 18 '50, p104) was approved by the U.S. for the Southwest. Rural Electrification Administration O.K.'d a \$10.5-million loan to an Arkansas electric co-op to build a steam-generating plant, substations, and transmission lines. All will be leased to the Interior Dept. at rates that will pay off the REA loan. Private utilities have already brought suit to block similar deals.

**Red-Cap fees went up** to 25¢ a bag on 12 eastern railroads. The porters fought the 10¢ hike on the ground that it would cut over-all earnings by slashing tips. Red caps can keep tips but have to turn in baggage fees to the roads.

**Du Pont switched signals** on plans for the 635-acre tract it bought near Kinston, N.C. The company had originally intended to build its fourth nylon-yarn plant there. Now it will put up a factory to make its new synthetic, Fiber V.

**Bendix Aviation** bought the \$1.5-million plant of Victor Animatograph Corp. at Davenport, Iowa. Bendix will use the factory to make aircraft instruments; Victor Animatograph, a Curtiss-Wright subsidiary, has been using it to make movie projectors.

**Flair is folding.** Cowles Magazines' monthly of fashion, fiction, and feature will suspend after its January issue. Management blames rising production costs.

**Synthetic-rubber price hike** (page 75) came through. RFC has upped the price of GR-S from 18½¢ a lb. to 24½¢ a lb., of butyl from 18½¢ to 20½¢ a lb. Reason: reactivation of synthetic-rubber plants with higher production costs.

The third in a new series of advertisements designed to tell the G-E Silicone Story to industry.

## HOW YOU PROFIT FROM G-E SILICONES

when the going gets HOT or COLD



When the heat's on, depend on General Electric silicones! One of the amazing things about silicones is the way they can withstand high temperatures without change. Products made with silicones have this quality, too. For example, G-E silicone rubber stays flexible—and doesn't crack—even at 520 F.!

Silicones also resist cold. Unlike mineral oils, G-E silicone oils flow freely at sub-zero temperatures.

More and more uses for G-E silicones are being found each month where their remarkable resistance to heat and cold proves valuable to industry.

*Is heat or cold a problem in your business?*

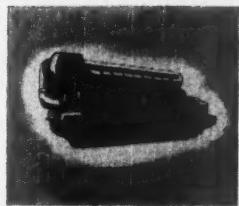
### HOW CAN YOU USE G-E SILICONES PROFITABLY?

If in your manufacturing processes, or in your product, heat or cold resistance is a problem, it will pay you to investigate General Electric silicones. Remember, too, that G-E silicones possess other valuable properties. They are chemically inert; they provide release from sticking, and have other useful surface characteristics. Write for details on how G-E silicones may meet your specific requirements to Section F4, Chemical Department, General Electric Co., Pittsfield, Mass. (In Canada: Canadian General Electric Co., Ltd., Toronto.)



#### New Vibration Dampers Made Possible by Silicones

Engineers have been seeking a damping fluid for years that would maintain constant viscosity in extremes of heat and cold. Silicones were the answer! New silicone-fluid torsional vibration dampers on tractors and cars make for easier riding, reduced engine wear.

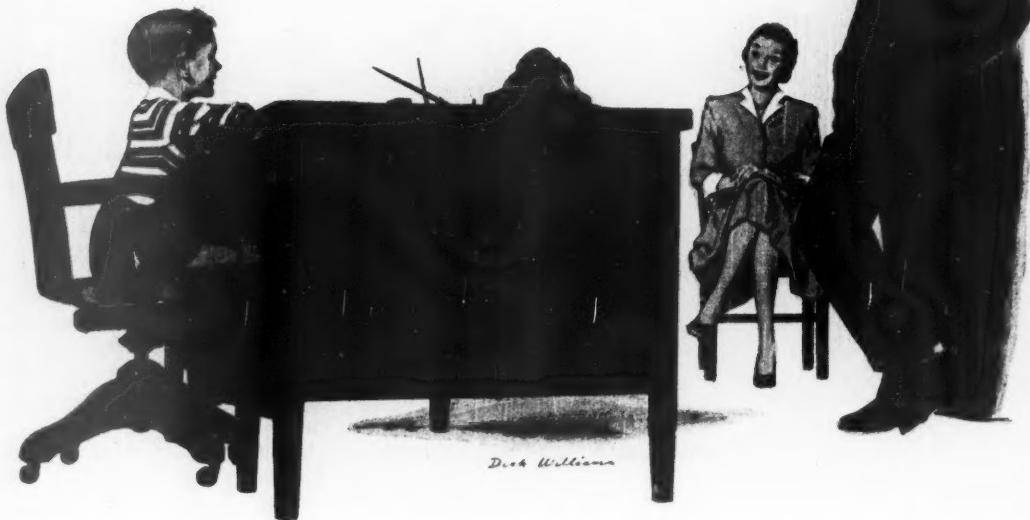


#### Silicone Rubber Ideal for Diesel Gaskets

Never before has a material been available like silicone rubber that maintains resiliency even under extreme heat (up to 520 F.). G-E silicone rubber gaskets for Diesel engines last much longer and perform more efficiently than gaskets made from ordinary rubber.

GENERAL  ELECTRIC

## A one-man business would just suit him!



(But are you sure he'll have a chance to run yours?)

THE SON you expect to take over your one-man business some day needs something more than just the added heft to hold down your chair.

He needs the assurance (and you do, too!) that the business you've built won't cease to be, should you pass on before he is ready to run it.

Even an exceedingly profitable condition of your business at present doesn't give him that assurance. *For statistics show that 4 out of 5 one-man businesses never survive the critical period following an owner's death.* That's because assets shrink while liabilities keep right on building up.

There is a way, though, that you can make sure your business will survive such a critical period.

It is called Travelers Business Life insurance. By investing a small fraction of your income now in insurance on your life, you can set up a fund of ready cash

to keep your business going, should you no longer be on hand to steer it.

There'll be money to pay wages, money for rent, money for taxes during the touch-and-go period when a new start is being made.

Why not ask your Travelers agent or broker to tell you more about the importance of Travelers Business Life insurance?

### MORAL: INSURE IN

***The Travelers***

**ALL FORMS OF INSURANCE AND SURETY BONDS**

The Travelers Insurance Company, The Travelers Indemnity Company, The Travelers Fire Insurance Company, The Charter Oak Fire Insurance Company, Hartford 15, Connecticut. Serving the insurance public in the United States since 1864 and in Canada since 1865.

# MANAGEMENT

## Kaiser's Offsprings Settle Down

Except for Kaiser-Frazer, his industrial family is off the government-help list and running strong on its own.

What makes Kaiser run?

Less than a year ago that would have been a perfect straight line for any number of Wall Street or Detroit Milton Berles. Any one of them would have snapped back: "The government."

• **Funny, But Right**—If you sit down and analyze Henry J. Kaiser's operations from the beginning, you find the wise-acres were just about as right as they were funny—on the surface. Ever since 1914, when Kaiser got started, he has been using government money, in paving contracts, sand and gravel, dams, shipyards, wartime metals.

It's this—plus loans from RFC of close to \$200-million, plus the smelly business involving Otis & Co.—that kept a lot of people wondering: Is Kaiser just an overgrown "earth mover" who will fade under stiff, direct-selling competition?

Today there's a different feeling—from Los Angeles through Detroit and into investment banking circles in New York. It can be summed up this way: "Kaiser's here to stay."

### I. Nothing Like Success

There are several things that have changed the thinking about Kaiser. One has been his peacetime success in steel, cement, and aluminum.

But the thing that helped most was Kaiser's repayment of \$91,476,989 to RFC, wiping out the loan to Kaiser Steel Corp. (BW—Nov. 11 '50, p.23). He engineered the payment through an orthodox, three-cornered bond and stock deal with top-flight financial houses.

• **Solid in Steel**—There is no question but that Kaiser had a solid steel record to back him up. In 1943, his war-built Fontana (Calif.) mill had a capacity of 450,000 tons of ingots and 300,000 tons of plates. Since then, he has expanded the plant to 1.2-million ingot tons, plus a cold-rolling mill, a hot-strip mill, and pipe mills. The next step will be a move into tin plate, which only U.S. Steel (with a 325,000-ton capacity) produces in the West. Kaiser plans 200,000 tons. The market: 700,000 tons.

Fontana has made money, too. Net sales jumped from \$1.6-million in 1943,





"We can meet that production date, maybe even cut costs, if we can farm out that little machine assembly somewhere in New York State. Since we've got to act quickly, the first thing to do is . . .



...check with our bank—Marine Midland. They are very familiar with production facilities in the 49 communities served by Marine Midland banks...and might well give us a lead on someone who can get the job done."

\* \* \*

You have a wealth of information about New York State business facilities and markets right at your fingertips—when your company banks at The Marine Midland Trust Company of New York.

Directors and officers in 102 Marine Midland banking offices make it their business to know local business and the people in it in 49 New York State communities. Let us show you how this personal knowledge can help you.



**MARINE MIDLAND  
TRUST COMPANY**  
*of New York*

120 BROADWAY • NEW YORK  
Member Federal Deposit Insurance Corporation

to \$84-million in 1950. Earnings (separated from shipbuilding) ran from a \$4.3-million deficit in 1943 to a \$28-million profit in 1950.

• **Burr in His Side**—But the Kaiser Steel financing still leaves one sharp burr in Kaiser's side—and he knows it. That's the \$34.4-million RFC loan to Kaiser-Frazer Corp., arranged after the Otis & Co. deal for private financing fell through. It may be unfair, but Detroit auto men still gloat over it. The other day one of them said:

"I gave him a 50-50 chance to succeed in autos. I was wrong. He had to get the government to bail him out—with our tax money."

• **More for Grousing**—Last week K-F added \$25-million more to the argument by grabbing a new line of short-term RFC credit. It was needed, K-F said, to finance inventories of finished cars over the winter. The company had originally asked for \$38-million, but agreed to settle for the smaller figure.

• **Weak Link**—The latest call to Washington (K-F financial advisers suggested the government as the most likely source of help) points up one fact: K-F is still the weak link in the Kaiser chain. It's been well-divorced from the rest of Kaiser's operations; his interests own less than 10% of the stock. But officials quickly remind you that other Kaiser firms have guaranteed \$15-million of the original loan.

Even in Detroit, though, skepticism over K-F is fading.

## II. The Formula

There are three answers to how Kaiser reached his present standing:

First, there's the man himself. Hard-driving, with energy to spare, he wants to do big things in a big way, mainly to keep himself busy. Ideas pop out of him continually. (A favorite remark: "Whenever I see an unfilled human need, I have an irresistible desire to fill it.")

Then there's what Kaiser people call his perfect sense of timing. Call it opportunism—a nasty word only when it's applied to a competitor.

Third—and probably most important—is his personally trained, jet-propelled management team of comparatively young men.

• **Fabulous Timing**—Kaiser's timing has been fabulous when you look at the record. In 1914, he formed a paving company when everybody wanted roads for leap-frogging auto traffic; he caught the snaking pipeline boom early, too. Then came the great Western dam era of the 30's. Already in sand and gravel (with his own quarries and manufacturing plants), he got into this vast public works field.

His first truly unorthodox move was also perfectly timed. In 1939, he got

a contract for supplying 6.8-million bbl. of cement for Shasta Dam—without any cement or cement plant available.

Kaiser got all-out backing from the government in this operation because the New Deal had its heart set on breaking up the identical (basing point) bids it was getting on cement for government projects. But, though he was offered an RFC loan, he went ahead with private financing to set up Permanente Cement Co.

• **Ships and Steel**—World War II gave Kaiser another big chance. If he could build a dam, he could build a ship. His record as a shipbuilder is well known. And that led to metals, a perfect example of Kaiser opportunism. For years he had been saying the West Coast needed steel. Under pressure of war, a lot of people agreed. So he got his steel plant at Fontana, Calif.—with Uncle Sam's money but with his own name on the paper. (Most industrial firms waited for the Defense Plant Corp. to take the risks).

• **Aluminum**—After the war, idle plants were ripe for a man with Kaiser's ideas.

In 1946, he got into the fast-growing aluminum field (BW-Mar. 2 '46, p52). This, too, he did at a time when he could count on help from the government plus a rival (Aluminum Co. of America) that half-welcomed competition because of antitrust suits.

• **Autos and Houses**—The car-hungry public offered another juicy-looking opportunity for Kaiser. Autos had been running around in his mind for years, his associates say. But 1945 was the first time in 20 years that such a project had a real chance to click. And what could be better than a \$100-million war plant at Willow Run that you could pick up for \$15-million?

• **Upsets**—This last venture was the stumbling block that almost proved the cynics right. It was something new to Kaiser: direct consumer products and markets that had to be built. Kaiser was no merchandiser. In fact, autos almost wrecked one of his pet ideas: If you have a good management team, they can pave a highway, make a bathtub, or build a car. (Kaiser now makes bathtubs for Sears, Roebuck.)

Now, say Kaiser-Frazer people, they have proved you can successfully crack the bitterly competitive auto industry. But it took more time—and rougher going—than Kaiser expected. He didn't come up with a \$500 family car, as he boasted he would. What he did do was sell a pretty good car for four years at a manufacturer's price equivalent to the gray market price on competing cars—a price higher than people would pay once they could get established makes without fancy premiums.

Again with government help, however, Kaiser thinks he has turned the corner. He now has a full line of cars,

including the lowest-priced model on the market, the Henry J.

### III. Strong Men Beneath Him

But there is more than smart timing and government help behind the growth of Kaiser's empire. Henry J. has built a free-wheeling management organization that can tackle any problem or idea in the boss' mind.

At the top of the hierarchy are Edgar F. Kaiser (cover) and Eugene Trefethen, chums in high school and college (University of California). Both just turned 40; both are still holding down the only jobs they ever had—with Henry J.

• **Like Father, Like Son**—Like his father, Edgar is all work, little play. He listens to what anybody says, likes problems, believes in flying and telephoning to speed decisions. He has many of the mannerisms but not the features of his father. He gets loyalty on a par with Henry.

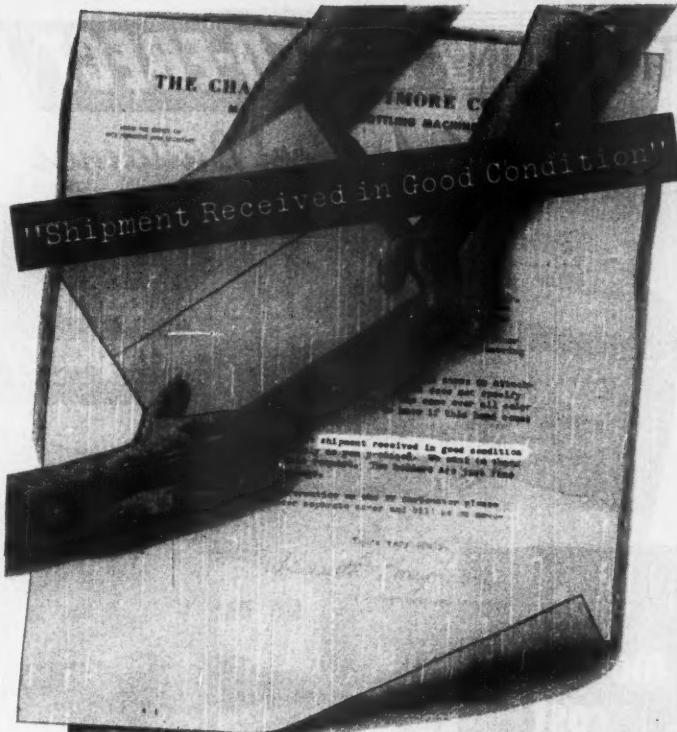
Edgar's job primarily is to run K-F, where he is president (he keeps his family in Ann Arbor but his heart's in Puget Sound, his official address). He's also president of Kaiser Industries, Inc., and a vice-president of the Henry J. Kaiser Co., the two big holding companies for the rest of the empire (chart, page 31). He also heads Kaiser Community Homes and is a Kaiser Steel director and an officer of the Kaiser foundations.

• **Right-Hand Man**—Trefethen has a similar list of titles. But more important, he is considered Henry J.'s right-hand man. He's on the Coast with Kaiser all the time and spreads his attention among all the companies. But he leaves K-F pretty much alone—as much as any Kaiser executive leaves any Kaiser business alone.

Quiet and mild-mannered, Trefethen is tabbed Superman by those who work with him. Recently one of them said:



HENRY'S RIGHT HAND, Eugene E. Trefethen, Jr., will probably help Edgar run the business when Henry J. steps down.



That's the pay-off line in this letter—the good relations builder! "Shipment received in good condition." When your product is packaged in Gaylord boxes—you know your product is better protected—All the Way!

For years Gaylord boxes have been protecting the products of many of the country's leading manufacturers.



- CORRUGATED AND SOLID FIBRE BOXES
- FOLDING CARTONS
- KRAFT PAPER AND SPECIALTIES
- KRAFT BAGS AND SACKS

#### GAYLORD CONTAINER CORPORATION General Offices: ST. LOUIS

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Indianapolis • Houston • Los Angeles • Oakland • Minneapolis • Detroit • Columbus  
Fort Worth • Tampa • Cincinnati • Dallas • Des Moines • Oklahoma City • Greenville  
Portland • San Antonio • Kansas City • St. Louis • Memphis • Bogalusa • Milwaukee  
Chattanooga • Weslaco • Appleton • Hickory • Sumter • New Haven • Jackson  
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# TRUSCON

# SPEED-ERECT

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quick  
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Meet your problems of space, production or storage by building, enlarging or streamlining your plant with Truscon Standardized Steel Buildings.

These widely-used buildings are available in standard designs, prefabricated of scientifically designed steel units, and are easily adaptable to any plant layout. Features include fire protection; permanence; ease and speed of erection, dismantling and re-erection; low upkeep; low cost and high investment value.

Truscon will cooperate with your local contractors for the speedy erection of these "Any Purpose" Truscon Steel Buildings.

"We'll be having a conference. For hours, a problem's kicked around. Suddenly Gene, who hasn't said a word, comes up with the answer everybody's been looking for."

• **Anonymous Wizard**—A wizard for details, he has an enormous amount of energy and patience. He keeps fresh by seeing the witty side of serious business. One of his quirks is his strong desire for anonymity, avoiding the press, and never giving an interview for publication.

If you take the word of people in the organization, these two men one day will run the Kaiser empire. Any suggestion of jealousy between the two brings Henry J. himself hopping to the phone to spike it.

• **Highway Men, Pipe Men**—Around the two Kaisers and Trefethen is a management group lifted from highway jobs, dam projects, pipelines, and shipbuilding. Most of them young in years, they are old hands with Kaiser. Men like Jack Ashby (steel), D. A. (Dusty) Rhoades (aluminum), Carl Olson (cement, sand-gravel, gypsum and steamship); George Havas (Kaiser Engineers); Chad F. Calhoun (Washington liaison man); Clay Bedford (Kaiser-Frazer). Salaries are good, not fabulous. They run around \$50,000 for top people.

• **Committee System**—Kaiser's conglomeration of industries is probably the biggest and most assorted enterprise in the country to use the informal team system of top management.

Facing the basic management problem: "How does one man focus his attention where it ought to be?", most big concerns either split the operation among several autonomous companies or adopt the traditional line-and-staff military setup.

Kaiser is different. He uses a modified committee system—with one overall group of pretty much interchangeable people running the whole shebang. Titles don't mean too much. Each of the top men handles a variety of problems cutting across all companies that make up the Henry J. Kaiser Co. and Kaiser Industries, Inc., the two big holding companies. Top-notch decisions come from almost daily conferences, with Henry J. having the ultimate say-so if there's a split—as there was in steel and aluminum.

• **Teamwork**—Kaiser himself put it this way: "It sounds trite, but I can't think of a better word to express it—teamwork. We don't have any pros. They all came up from the amateurs. When I go to a conference back East, I like to take the whole squad with me. But a lot of people in the East can't grasp that. When we descend on them in a body, they cry out that there are too many of us. Now some of them have taken to limiting our group to four or

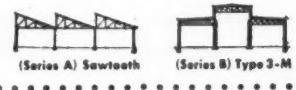
### A FEW OF THE TYPES AVAILABLE



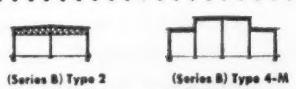
(Series A) Type 1 and 1-S



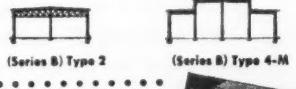
(Series A) Type 3M



(Series A) Sawtooth



(Series B) Type 3-M



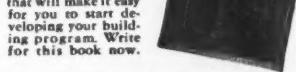
(Series B) Type 2



(Series B) Type 4-M



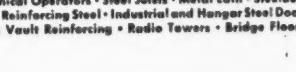
(Series B) Type 3



(Series B) Type 4



(Series B) Type 5



(Series B) Type 6



(Series B) Type 7

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YOUNGSTOWN 1, OHIO

Subsidiary of Republic Steel Corporation



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With Addressograph methods, your staff can get more done in a few hours than in weeks of burning midnight oil and using ordinary writing methods. The only person who won't like Addressograph is the Paperwork Pirate.

Addressograph writing, for example, is 30 to 50

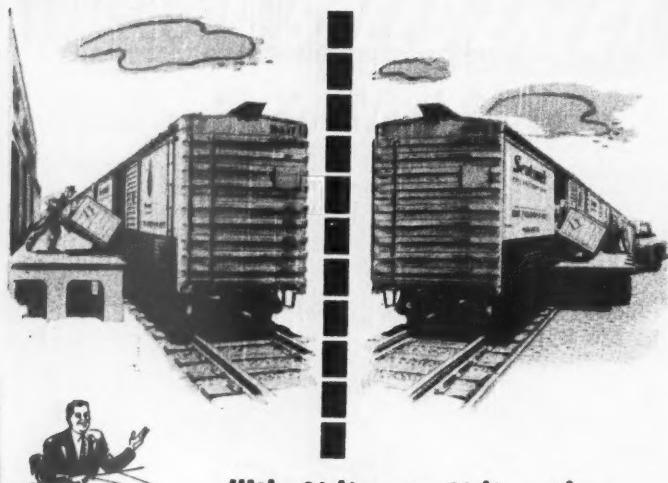
times faster than typing. You can write up to 5,000 words or 30,000 figures a minute with complete accuracy.

Names, descriptions, figures—*anything* that you write more than once can be written on almost any business form. Information can be imprinted, listed, distributed or tabulated—quickly and with utmost clarity.

Phone the Addressograph man in your city or write Addressograph-Multigraph Corporation, Cleveland 17, Ohio — Production Machines for Business Records.

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SIMPLIFIED BUSINESS METHODS

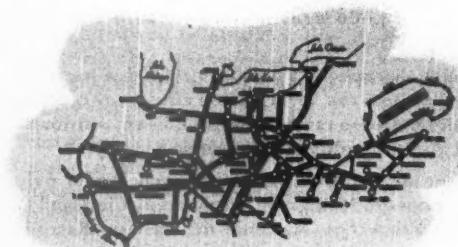


**"It's Siding-to-Siding time  
that counts so I prefer Sentinel Service"**

Smart executive! Naturally, he knows that upset plans and lost hours make serious inroads on profits. So he calls the *siding-to-siding* dependability of B&O's Sentinel Service to his aid. Unloading, processing, and marketing proceed without a hitch.

Another valuable part of Sentinel Service is its *Automatic Records* feature. If the schedule of a Sentinel car is interrupted for any reason, consignor and consignee are informed immediately—then notified of reforwarding—and can plan accordingly.

You will like the advantages of this unusual service. You can have them—even if your plant is not actually on B&O lines. Sentinel Service is automatically applied to cars from the time they are received on the B&O...Ask our man!



**BALTIMORE & OHIO RAILROAD**  
*Constantly doing things—better!*

six. We yield to them, but I really don't like it.

"Take another case: During our steel financing negotiations, a man at one of the big insurance companies said to me, 'Mr. Kaiser, there's a man in your Fontana plant . . . and he named him . . . on whom the whole operation depends. If you lose him, what happens to our investments?'

"I told him, 'If we haven't got that man backed up four-deep, then you don't have any right to invest your money with us.'"

#### IV. Thinking and Dirty Work

While experts provide the technical knowhow, the "team" does the policy thinking and the dirty work.

For instance, it was their job to provide materials during the long shortage days. With no historical allocation for steel, K-F was in a tight spot from the beginning. One time during a coal strike, K-F obtained coking coal from some operating AFL mines in trade for foundry pig iron that Kaiser was producing. The coking coal was traded for coke, the coke for slabs. The slabs went for hot bands, and the hot bands were rolled into sheets.

• **Dealers Wanted**—The same kind of fast management went to the rescue of K-F in its merchandising trouble. Its dealer organization, put together in a hurry, was falling apart in 1949. Instead of calling in outside help, K-F installed the production manager as general sales manager. They put together a 10-day schedule to blanket the country, weeding out weak sisters, backing up strong ones in good marketing areas. The whole rescue crew flew around the country, selling dealers on the new models and the Henry J's that were coming out. The trip ended in Houston, with Kaiser himself attending.

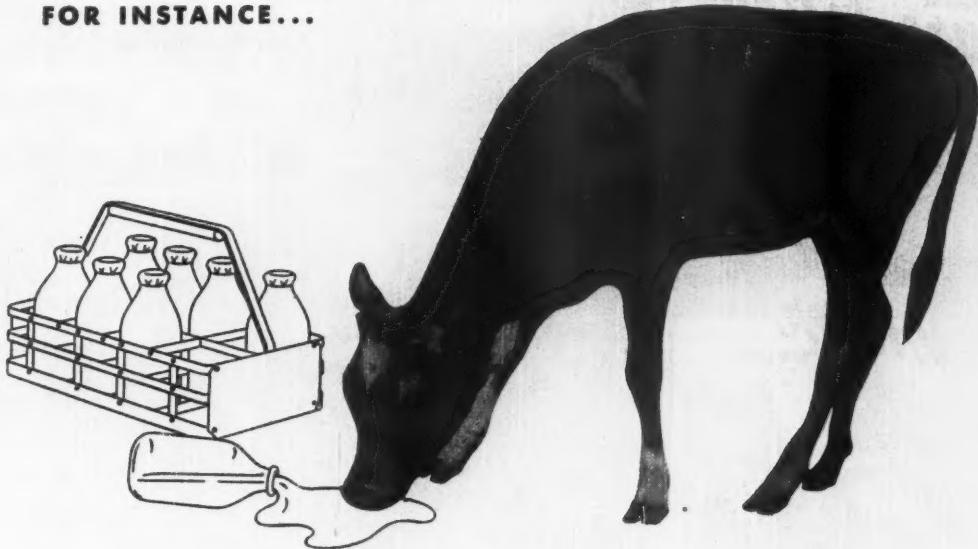
Today Detroit isn't convinced Kaiser's dealer setup is solid, but K-F officials think it is.

• **Go Home!**—Kaiser is still in the thick of things. He likes to grab a problem, hold onto it until it's licked. His interest lags when things are running smoothly. When Regulation W was announced, he hopped a plane for Washington overnight, spent the next day until 11 p.m. in conferences, left the following evening for Detroit where an 8 p.m. to 2 a.m. session was held. One official, in his stocking feet, popped up when Kaiser started just one more idea through the mill. He said, "Mr. Kaiser, why the hell don't you go home?" Kaiser did.

• **Work Ahead**—Kaiser still has a few unorthodox tricks up his sleeve. He's approached aluminum buyers, so Wall Street stories go, offering contracts to supply metal from production facilities still unbuilt.

SERVING INDUSTRY, AGRICULTURE AND PUBLIC HEALTH

FOR INSTANCE...



# DELIVERED MILK-

*that even this "Connoisseur" approves*

From pail to sale, maintaining the farm-fresh goodness of milk is a matter of strict sanitation, all along the line. Milk off-taste and spoilage are caused by bacteria multiplication, and the bacteria count can only be kept to safe minimums by the application of sanitizing agents to every piece of milk-handling equipment.

For years, chlorine sanitizers have been the best all-round agents for this purpose, and Mathieson has long been prominent in their manufacture with its widely used Lo-Bax products. And with the re-

cent introduction of LoBax-21—the new penetrating chlorine sanitizer that kills bacteria faster than any other commercial bactericide—Mathieson adds another contribution to the science of milk sanitation.

The leadership of Mathieson chlorine specialties derives from long experience in the manufacture of chlorine. A prime producer of this and the other important basic heavy chemicals—ammonia, caustic soda, soda ash and sulphuric acid—Mathieson also supplies over thirty of their allied products with assurance of *dependability, diversity, and flexibility*.

**Mathieson**  
CHEMICALS

MATHIESON CHEMICAL CORPORATION, MATHIESON BUILDING, BALTIMORE 3, MARYLAND

**because**

**NEKOOSA BOND**

**is a**  
**pre-tested**  
**paper**

...it's a  
**whiter**  
**paper**

...and a  
**brighter**  
**paper**

● To assure a cleaner, whiter paper for your letterheads, Nekoosa Bond is pre-tested for whiteness and brightness with such modern devices as electric eyes and electron tubes. And for easy-to-read, easy-to-file business and office forms, Nekoosa Bond is also available in eleven attractive colors. Ask your printer to show you samples!

**IT PAYS TO PLAN WITH YOUR PRINTER!**

*This watermark  
is your assurance  
of pre-tested quality!*

**NEKOOSA-EDWARDS PAPER COMPANY  
PORT EDWARDS, WISCONSIN**

## SMALL BUSINESS



MERRY-GO-ROUND on GMC truck finds no trouble luring kids as . . .

### Free Rides Bring Profits

Camden ice cream distributor uses merry-go-rounds on premium basis to boost sales. Result: His business last summer was 25% better than most of his competitors.

A couple of years ago, Arthur Rea of Camden, N. J., was trying to figure out a way to boost his ice cream business. A distributor for Borden's ice cream pops in the area, he was as bad off as his competitors; sales had been slipping and sliding ever since World War II.

• **Added Attraction**—What he needed, Rea figured, was an added attraction that would pull more small fry to the 150 ice cream trucks that sold his product in the summer. He thought it would be some kind of a premium deal—but what? He thought of giving away different things like guns, badges, bags of marbles with each ice cream purchase.

None of these, he decided, was quite good enough. What he wanted was something that a kid couldn't buy in a store or get free by sending in a box-top. He decided to forget the whole thing, but the idea continued to nag him.

• **Free Rides**—All of a sudden it hit him: Why not a merry-go-round? He

could give each customer one coupon for each pop he bought. Five coupons would be good for a ride on the merry-go-round, which would come to the neighborhood a couple of times a week. He was sure that even television and Hopalong Cassidy wouldn't be enough to keep most kids away from a merry-go-round.

He was right. Rea's first merry-go-round went on the streets in the middle of 1949, and business picked up at once. Last week, when Rea finished totting up business during the 1950 season, he could prove that his idea had really paid off. It had been a cold and rainy summer; other ice cream men had ruefully accepted a sales drop of as much as 35% below 1949. But Rea's sales were off only 8%, proving he did about 25% better than his competitors.

• **Long Preparation**—Successful as his project turned out to be, it had been a long time in the making. "A merry-go-round is as old as time," says Rea, "but it took me months to think of

using it." And on top of that, it was a tough idea to carry out. Rea's merry-go-round had to be portable, yet inexpensive to make and operate. That meant simple design, with as few moving parts as possible.

Since nothing on the market met these requirements, Rea started from scratch. The first problem was to get the right truck chassis; it had to have a strong flat bed, with nothing protruding above the level of the chassis frame. He found the answer in a General Motors one-and-a-half-ton GMC. On the GMC he built a small merry-go-round that rode on a special pivot but had no motor. An easy spin by hand would keep it rolling without vibration.

Rea had special horses cast in aluminum to save size and weight. Finally, he installed an amplifier to play typical merry-go-round music over a loud-speaker to attract the youngsters.

**Big Success**—Attract them it did so successfully that Rea is now running 14 merry-go-rounds in connection with his ice cream business. At the height of the summer season, each carousel was playing to as many as 1,400 children a day.

This fact didn't go unnoticed by other businessmen. Soon Camden laundries, bakeries, soft-drink men and other businesses decided they could use the idea themselves. Result: Rea has so far sold 16 other merry-go-rounds to individuals who sell rides direct, and to companies who use the premium deal which Rea himself uses. (Kids beg mother to use a certain laundry because it means a free merry-go-round ride.) Rea can sell the merry-go-rounds complete, truck and all, for \$4,200 each—and still make a profit.

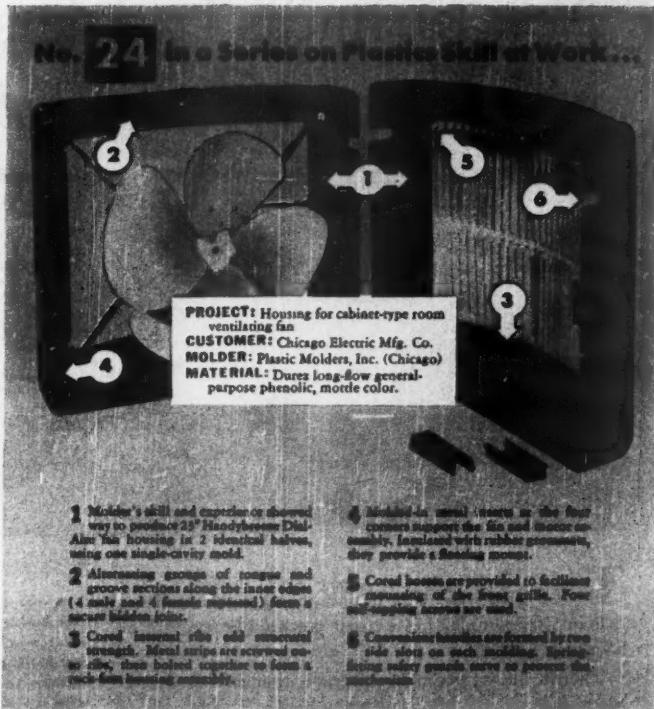
• **Everybody Rents Them**—Rea also rents his own merry-go-rounds for birthday parties, to industrial concerns who use them on picnics, and to church carnivals. Even politicians use them as a substitute for baby-kissing: During the last campaign, a candidate for sheriff rented one for two months. (He got elected.)

The result of all this is that Rea could be in the merry-go-round business in a big way. All his sales and outside rental business have come without his putting in a penny of advertising.

**Still an Ice Cream Man**—But he wants to stick to ice cream and use his merry-go-rounds chiefly to boost its sale. Since they are doing that, he's willing to let it stop there and not take on the headaches involved in mass production. Right now, thanks mainly to his merry-go-rounds, he's able to spend the winter in Florida lying on the beach waiting for warm weather up north. He doesn't see how anybody could want more than that.

**It pays to use your  
custom molder's know-how**

... here it led to Tooling, Die and Assembly Economies



- A good way to wrap up and forge numerous manufacturing problems is to combine the all-round ingenuity of a good custom molder and the all-round properties of Durez phenolic plastics.

You may save time and money . . . make your product look better and serve better. This king-size fan housing shows very well what we mean.

Through imaginative tooling, the molder made it possible to produce both halves of the complete cabinet from one single-cavity mold. This approach held the tooling period and die costs to a minimum. Ingenious provision for fitting the pieces together produced an easily assembled job with the great rigidity a large port-

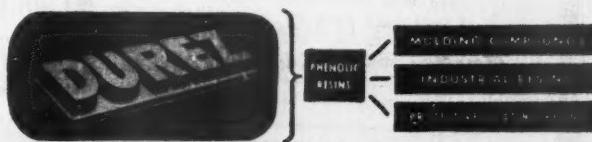
able fan should have.

Despite its size... it is molded from an 18-pound charge, and measures 20"x 23"x 14" assembled... the Durez cabinet has high dimensional stability.

Durez comes from the mold with a beautiful lustrous "molded-in" finish and seldom requires costly fabrication or finishing operations. Its excellent mechanical, electrical, and chemical properties are available in a wide variety of combinations for particular needs.

Use your molder's know-how when you plan for low-cost, time-saving production. And call on the wide experience of Durez phenolics technicians without obligation.

Durez Plastics & Chemicals, Inc., 4012  
Walck Road, North Tonawanda, N. Y.



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# Explore Canada's New Business Frontiers with Canada's First Bank



THOUSANDS OF U.S. businessmen are fast realizing that in Canada today lies a profit potential undreamed of a decade ago.

There's the oil boom in Alberta . . . newly discovered ore in Labrador . . . abundant water power . . . a flourishing economy that places Canada fourth among the trading nations of the world . . . a challenging opportunity to pioneer your way to profit in many fields.

The Bank of Montreal, with offices and an informed staff in key U.S. cities, can help you explore this magnificent market. As Canada's first bank, we offer you experience gathered through years of on-the-scene familiarity . . . backed by resources of over two billion dollars.

Start your exploration with CANADA TODAY—our 100-page booklet that's full of pertinent information and pictures—a handy, pocket-sized guide—a ready reference to Canadian facts and figures. For your copy of CANADA TODAY, as for all business information, write to any of our offices listed here, or to the Business Development Department, Bank of Montreal, Place d'Armes, Montreal.

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SAN FRANCISCO 4: Bank of Montreal (San Francisco)—

333 California Street—G. T. Eaton, President

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In Canada since 1817

In the U. S. since 1859

More than 550 Branches across Canada



# The Facts Behind the Figures

## WHAT THE B of M HAS TO MEET ITS OBLIGATIONS:

**CASH** The B of M has cash in its vaults and money on deposit with the Bank of Canada amounting to



\$ 225,417,399.97

**MONEY** in the form of notes of, cheques on, and deposits with other banks . . . . .



150,987,587.73

**INVESTMENTS:** The B of M has over a billion dollars invested in high-grade government bonds and other public securities, which have a ready market. Listed on the Bank's books at a figure *not greater than their market value*, they amount to



1,030,048,602.81

The B of M has other investments representing mainly short-term credits to industry. These investments are carried at . . . . .



128,050,593.19

**CALL LOANS:** The B of M has call loans which are fully protected by quickly saleable securities. These loans amount to . . . . .



67,972,396.98

**QUICKLY AVAILABLE RESOURCES** The resources listed above, which can quickly be turned into cash, cover 76% of all that the Bank owes to the public. These "quick assets" amount to . . . . .

\$ 1,602,476,580.68

**LOANS:** During the year, many millions of dollars have been lent to business and industrial enterprises for production of every kind—to farmers, fishermen, lumbermen and ranchers—to citizens in all walks of life, and to Provincial and Municipal Governments and School Districts. These loans now amount to . . . . .



528,032,366.17

**BANK BUILDINGS:** In hamlets, villages, towns and large cities from coast to coast the B of M serves its customers at 563 offices. The value of the buildings owned by the Bank, together with furniture and equipment, is shown on its books at . . . . .



18,450,760.31

**OTHER ASSETS:** These chiefly represent liabilities of customers for commitments made by the Bank on their behalf, covering foreign and domestic trade transactions . . . . .



41,569,661.76

**TOTAL RESOURCES WHICH THE B of M HAS TO MEET ITS OBLIGATIONS** . . . . . \$ 2,190,529,368.92

## WHAT THE B of M OWES TO OTHERS:

**DEPOSITS:** While many business firms, manufacturers, merchants, farmers and people in every type of business have substantial deposits with the B of M, the larger part of the money on deposit with the Bank is the savings of well over a million private citizens. The total of all deposits is . . . . .



\$ 2,062,397,786.09

**OTHER LIABILITIES:** Miscellaneous items, representing mainly commitments undertaken by the Bank on behalf of customers in their foreign and domestic trade transactions . . . . .



40,432,874.53

**TOTAL OF WHAT THE B of M OWES ITS DEPOSITORS AND OTHERS** . . . . . \$ 2,103,030,660.62

**TO PAY ALL IT OWES, THE B of M HAS TOTAL RESOURCES, AS SHOWN ON THE LEFT SIDE OF THIS STATEMENT, AMOUNTING TO** . . . . . 2,190,529,368.92

**WHICH MEANS THAT THE B of M HAS RESOURCES, OVER AND ABOVE WHAT IT OWES, AMOUNTING TO** . . . . . \$ 87,498,708.30

This figure of \$87,498,708.30 is made up of money subscribed by the shareholders and, to some extent, of profits which have from time to time been ploughed back into the business to broaden the Bank's services and to give added protection for the depositors.

<b>EARNINGS</b> —After paying all overhead expenses, including staff salaries, bonuses and contributions to the Pension Fund, and after making provision for contingencies, and for depreciation of Bank premises, furniture and equipment, the B of M reports earnings for the twelve months ended October 31st, 1950, of . . . . .	\$ 9,536,897.69
Provision for Dominion Income Tax and Provincial Taxes . . . . .	3,594,000.00
Leaving Net Earnings of . . . . .	\$ 5,942,897.69
This amount was distributed as follows:	
Dividends to Shareholders . . . . .	\$ 3,600,000.00
Balance to Profit and Loss Account . . . . .	2,342,897.69

## CANADA'S FIRST BANK HOLDS LARGEST CANADIAN SAVINGS

Canadians have more savings in the B of M than in any other bank. Canada's First Bank holds total deposits of more than \$2 billion . . . and the larger part of this money is held for well over a million Canadians in every walk of life—confident people who know the value inherent in 133 years of solid growth.

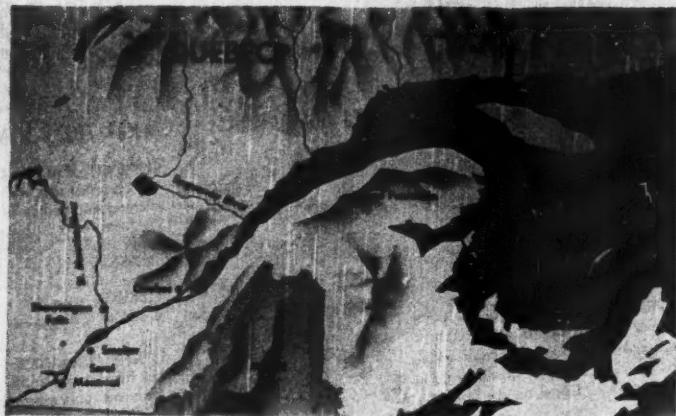
# PRODUCTION



Lancaster Bond and its matching, quick-sealing companion Lancaster Envelope Bond, are the truly fine 100% new-cotton-fibre stationery papers preferred by so many American enterprises. Lancaster Bond assures a 100-year-and-longer life for important documents, policies, deeds, certificates, etc.

Lancaster Bond is available through your printer, lithographer, engraver, and leading paper merchants throughout the United States. Ask for it by name.

**FREE SAMPLE PORTFOLIO.** Write on your business letterhead for free portfolio containing representative group of all new-cotton-fibre Gilbert Quality Papers. **GILBERT PAPER COMPANY, Established 1887, Menasha, Wisconsin.**



TITANIUM ORE from Lac Tio deposit goes by train to Havre St. Pierre, then by oreatboat down the St. Lawrence to the new smelting plant at Sorel.



RAILROAD cuts through 27 mi. of wilderness to link Lac Tio mines with river port.

## Short Road to Titanium

U.S. companies use new process to smelt ore from Canadian deposit—the largest in the world. Technique recovers titanium oxides fast, also produces high-grade iron for Canada's steel mills.

This week, at Sorel, Que., the first of five new-type electric furnaces was processing titanium ore from the immense Lac Tio (Que.) deposits (BW—Sep. 18 '48, p128). This marks the commercial birth of a joint venture in the titanium field by two big metals companies—Kennecott Copper Corp. and New Jersey Zinc Co. It is a project that has vital economic and strategic significance.

• **Biggest Source**—The ore comes from the largest known deposit of titanium

in the world. The processing technique, worked out by New Jersey Zinc metallurgists, marks a new approach to smelting. It makes the recovery of titanium oxides easy and at the same time produces a high-grade pig iron from the Canadian ore.

Strategically, the exploitation of Lac Tio will eventually end our dependence on overseas sources for titanium-bearing materials—such as the black sands of India. The new processing technique will make more titanium oxide avail-

able for use as pigment, which is now in heavy demand, or for transformation into titanium metal, which will soon be needed, for armament and super-alloys. The high-grade pig iron obtained in the electro-furnace smelting will be useful to the Canadian steel economy.

• Money and Time—The project represents an investment of well over \$30-million. Kennecott carries two-thirds, New Jersey Zinc one-third. They both also invested a lot of time. It took many months to solve the transportation and processing problems. Converting the mining and metallurgical engineers' ideas from blueprints to commercial structures required the specialist knowledge of the Fraser-Brace Companies, a firm of design engineers and constructors, who built the ore railroad (map, page 42) and the smelting plant.

The three-company brain pool not only had to work out efficient methods of mining, it also had to put a railroad through a wilderness, build shipping terminals, and work out a new approach to electric-furnace smelting. On top of that, power demands are so great that Shawinigan Water & Power Co. had to construct a 40-mi., 220,000-v. transmission line to supply about 120,000 kw. of electrical energy—more than 10% of Shawinigan's present generating capacity.

### I. Raw Material

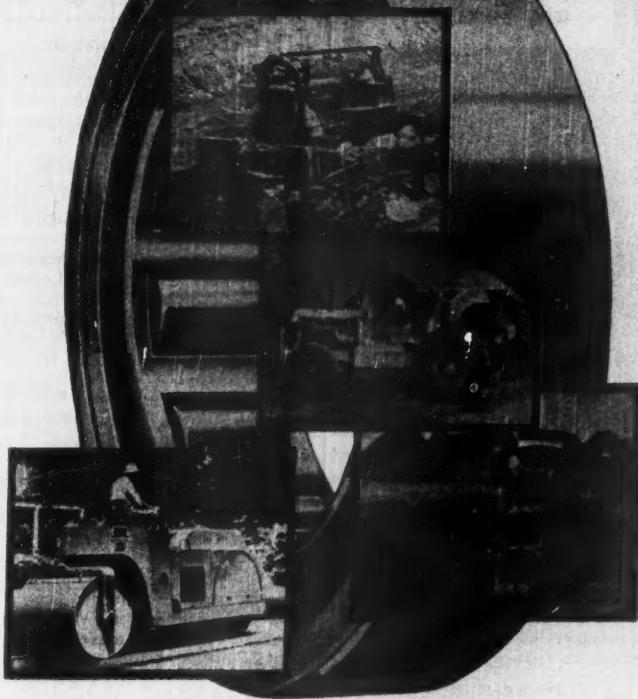
The development resulted from the discovery in 1941 of ilmenite ore in the Allard Lake region of northeastern Quebec. Workable open-pit deposits of over 125-million tons were proved up by 1946. The deposits contain 35% titanium dioxide and about 40% iron.

The new deposits were first publicized in 1948. At that time they were hailed as a potential answer to the import problem. Because the new smelting technique makes titanium recovery simpler, it adds greatly to the value of the find.

In 1949 the United States consumed 511,000 tons of ilmenite ore, which had a titanium dioxide content of 268,000 tons. In the same period 324,000 tons of ore, representing about 63% of our consumption requirements, were imported, mainly from the black sand beaches at the southern tip of India. In 1948 we consumed 565,000 tons of ore, of which about 43% was imported.

Major domestic sources of ilmenite are located in North Carolina, Virginia, Florida, and New York. The New York deposit of National Lead Co. at Tahawus is presently the largest producer in the world. It produces about 250,000 tons of ilmenite per year, con-

## HYATTS help build highways too



**T**HREE is one class of equipment that takes terrific day-after-day punishment and that is highway construction machinery. Tractors, for instance, and trucks, ditch-diggers, power-shovels, cranes, road-rollers and other equipment must always be ready to roll to meet time and cost estimates.

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In this, as in other fields, Hyatt Roller Bearings are preferred for their dependable performance. Hyatt Bearings Division, General Motors Corporation, Harrison, New Jersey.

### HYATT ROLLER BEARINGS



# JUNIOR MONOVEYOR

Assures Overhead Handling

**With Maximum Economy  
and Flexibility**



The MHS Junior Monovveyor provides a means of handling light and medium loads overhead more effectively and more economically than with the standard conventional overhead conveyor. It may be laid out to meet any specific manufacturing, transportation or storage requirements where loads and distances are appropriate.

It is constructed of standardized precision made components, mass produced for maximum economy. The selection of these components is sufficiently wide to permit full flexibility.

Line friction has been reduced. Inclines may be steeper and minimum allowable radii are substantially less than they are with the standard conventional overhead conveyor.

For details and specifications, write for Bulletin JM-1.

Mechanical  
Handling  
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taining about 45% or 112,000 tons of titanium dioxide.

• **Reserves**—The Allard Lake development, with a production capacity of 550,000 tons of ore a year, containing 190,000 tons of titanium dioxide, will produce 59% more dioxide than the present output at Tahawus. What's more, the reserves of the dioxide at Allard Lake exceed those at Tahawus by at least 37-million tons. The Allard Lake capacity will also represent 107% of the 1949 U.S. consumption in terms of ore tonnage and 71% in terms of titanium dioxide content.

## II. Transport and Processing

As part of the project, a 27-mi. railroad has been built from the small St. Lawrence River port of Havre St. Pierre to the mines, which are located on a wooded, lake-studded plateau formerly accessible only by air. The railroad goes through a 700-ft. tunnel, crosses 12 mi. of swampy ground and two rivers.

The new treatment plant, located on the south bank of the St. Lawrence, 48 mi. northeast of Montreal, will handle 550,000 tons of ilmenite ore a year when it reaches full-scale production in the summer of 1952. Its usable products will be 250,000 tons a year of slag, containing more than 70% titanium dioxide, and 200,000 tons a year of high-grade iron.

Quebec Iron & Titanium Corp. is going to operate both the mines and the treatment plant. QI&T is jointly owned by Kennecott and the New Jersey Zinc Co.

• **Low Waste**—Initially, QI&T will ship the slag output of the plant to pigment producers in the U.S. Further processing there will yield titanium dioxide. At present over 99% of this dioxide output is used as a white pigment—the whitest known—in paints, paper, and rubber. Demand for titanium pigment is now at an all-time high.

The iron will probably be sold to Canadian steel producers. While only a byproduct in the smelting operation, iron output will nevertheless be enough to supply about 6% of Canadian semi-finished steel production. Also the Sorel plant could easily be converted itself to produce high-quality semi-finished steel. It's possible that a rolling mill or foundry may be added to the plant. Potential expansion of the plant was taken into account when the design work was being done.

## III. Ore Treatment

QI&T will mine ore at the rate of 3,000 tons a day for the seven warm months of the year when the St. Lawrence is open for shipping. The ore

will go through a preliminary crushing operation and will be loaded into 10,000-ton-capacity Liberty ships at Havre St. Pierre. At Sorel a tower unloader will discharge the ore from the ships, and a belt conveyor will carry it to stockpiles. Subsequently, the ore will be picked up by a reclaiming crane and belt-conveyed to dryers, then it will be crushed, carefully weighed, and mixed with coal. It is then fed into the electric furnaces.

When heated to a temperature of 1,500°C to 1,700°C, the iron in the ore reduces and separates from the slag, which floats to the surface. After the sulphur content of the iron is reduced in one of two conventional electric arc tilting furnaces, the remaining high-grade iron is cast into ingots. The slag is cast into small blocks and crushed before shipment.

## IV. Furnaces

The five stationary smelting furnaces are a departure from normal electric-furnace design. They are box-shaped instead of cylindrical, making for larger capacity. The furnaces are continuously fed. They will operate the year around, each treating about 300 tons of ore a day.

These five furnaces are the first to be used for the large-scale electric smelting of titaniferous ore with the intent of recovering the titanium oxide. In the past, titanium oxide and iron have been separated either by a combination of mechanical and chemical processes or by a normal smelting process where only the iron was recovered; the titanium oxide was discarded in the slag.

• **Low Flux**—The smelting of such ores has always required adding large amounts of flux to counteract the thickening of the slag caused by the presence of the titanium. The flux diluted the slag and lowered titanium content so that recovery of the titanium was not economical. The key to the QI&T process is to control the conditions of the charge composition in the furnace so that little or no flux has to be added. This gives both a titanium-rich slag, suitable for further processing, and marketable iron.

The sulphur content of the iron from the main furnace is high because so little flux is used. That's why the two smaller electric arc tilting furnaces are needed.

The controlled conditions of the smelting operation will also produce carbon monoxide gas. It will be used for plant heating, ore drying, and other operations. The Sorel plant, unlike conventional smelters, will make use of all its products; it won't encounter any major problem in the disposal of waste.

# How to get top production MILITARY AND OR CIVILIAN under Controlled Inventories

## Two "scarce-material" problems already face most manufacturers:

- 1 On military orders — exact needs for parts and materials must be projected on the basis of actual production schedules, and separately recorded.
- 2 On civilian orders — use of scarce materials may be curtailed, allocations made to most needed lines, inventories kept within "controlled" limits.

## Controlling Inventories Is Our Business

During World War II, Remington Rand was the leading supplier of Inventory Control Systems to American business. Then, as today, we were the only supplier able to analyze your needs on a completely impartial basis—then supply the right solution based on manual or machine systems, or a judicious combination of both.

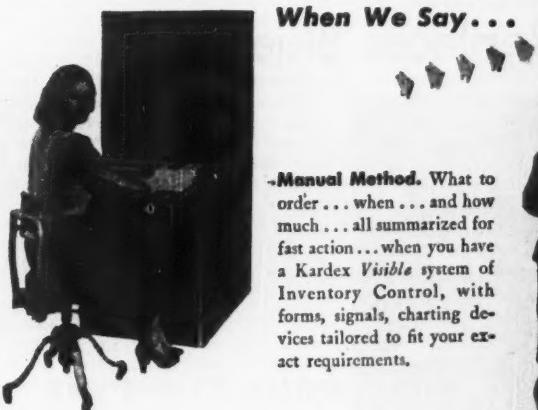
## Your Solution Will Be A Proved-in-Use Plan

This is no time for trial and error. Any system or systems you use for inventory control should already have proved successful in actual use in companies similar to yours and under closely similar circumstances. No systems source in the world today can even approach the variety of inventory control experience Remington Rand offers you.

## Free — Information On How To Handle "Controlled Inventories"

The Systems and Methods Research Department of Remington Rand studies government directives from the standpoint of how industry can comply with all requirements with maximum efficiency. Summaries of their recommendations are then rushed to Remington Rand offices throughout the country. As a qualified executive, you can get the same data by checking with your local Remington Rand office. Or write to us at Room 1708, 315 Fourth Ave., New York 10 — on your business letterhead please! No charge, of course.

## A Few Examples of What We Mean When We Say . . .



**-Manual Method.** What to order . . . when . . . and how much . . . all summarized for fast action . . . when you have a Kardex Visible system of Inventory Control, with forms, signals, charting devices tailored to fit your exact requirements.

**Dual Method.** Remington Rand Punched-Card Machines and Kardex Visible Machines produce inventory data at incredible speed. Kardex translates data into convenient chart form for effective administrative control.

For your needs we have no reason  
to recommend anything but  
the right machines and systems.

We make them all



**Machine Method.** When volume paperwork is your problem, Remington Rand Punched-Card Machines process thousands of cards per hour, automatically produce summaries and breakdowns days or weeks faster than might otherwise be possible.

**Remington Rand**

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**FIREMEN EVERY 10 FEET**

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**BIND LOOSE LEAF RECORDS  
IN YOUR OWN OFFICE THE  
LOW COST *Liberty* WAY!**

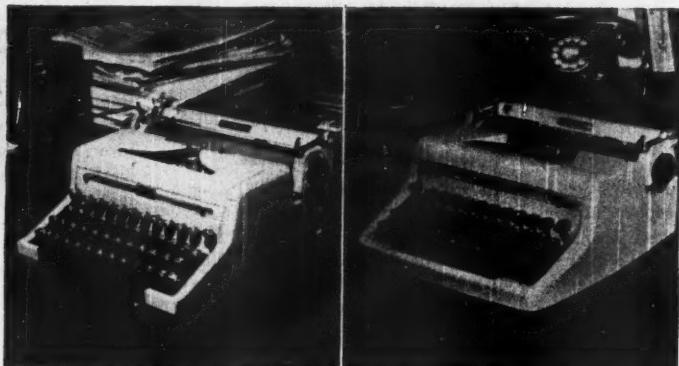
Liberty Binders—for all loose leaf records—will put your valuable records in neat, orderly book form for rapid reference. Unit consists of two steel-strong Masonite covers with piano type aluminum hinge for unlimited wear and protection—plus two Liberty Self-Locking Posts in wide range of lengths, each extendable 50%. Semi-permanent screw posts optional. 12 stock sizes. Special size binders made to order—any quantity. Catalog on request.

**BANKERS BOX COMPANY**

Established 1919  
200 N. Dearborn Street, Chicago, Ill.



**CLAY MODEL.** First step in redesigning Royal's portable was to strip the typewriter of all covering, "sculpt" a new outside in clay. This speeded up the job.



**BEFORE AND AFTER.** Old model (left) looked too boxy. New one (right) gives heavier, more streamlined effect. Clay use saves months of design time.

## Clay Replaces Blueprints



**COMPARISON** of clay model (foreground) and painted mock-up highlights shortcomings, suggests improvements.

You don't redesign a typewriter overnight. It usually takes anywhere from a year to a year and a half. But Royal Typewriter Co., Inc., did it in seven months—by redesigning its designing methods.

Last March, Royal decided to revamp its Quiet Deluxe portable typewriter to catch the Christmas trade. The company had no complaints about the works inside. But the outside looked boxy and high. What Royal wanted was a Chevrolet that looked like a Cadillac—a bulkier typewriter with luxury lines. The company gave Lippincott & Margulies, Inc., the redesigning job.

• Mock-Up—L&M turned to sculpturing, an old art already revived by car designers. The designers threw out



**SALES TRAINING MADE**



**DEMONSTRATIONS MORE**

**CONFERENCES RECORDED  
TEMPORARILY... OR MADE**

**ECONOMICALLY  
PERMANENT!**

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(General Precision Equip. Corp. Subsidiary)

8mm Cameras and Projectors

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Tape Recorders

# CORROSION

**SMOKE  
SPELLS—**



There's a busy little chemical plant working away inside every metal smokestack, making trouble and expense for the unwary owner.

Dilute acids, formed when the carbon and sulfur compounds present in the flue gases dissolve in moisture, gnaw into vulnerable metals like a rat attacks cheese. The only sure protection against this corrosive threat is to use a resistant material . . . and you'll find it in Byers Wrought Iron. Users have reported doubled, tripled, and even quadrupled stack life when they switched to this material. If stack maintenance is helping to drain away your profits, by all means investigate wrought iron.

## Corrosion costs you more than wrought iron

Your smoke stack is only one of the many applications where corrosion costs more than wrought iron. For a brief "how-where-why" story, ask for the ABC's of Wrought Iron. A. M. Byers Company, Clark Bldg., Pittsburgh, Pa.



# BYERS

**WROUGHT IRON**

fancy figuring and laborious drawings. Instead, they undressed three of the old machines, used the frames as the foundation for "sculpting" a new typewriter in clay. Within a month, L&M had a basic design.

The typewriters, restyled in clay, went to Royal's plant at Hartford, Conn. Engineers there put the typewriters on a turntable. Royal engineers and L&M designers studied them from every angle to iron out bugs. When one of the three models was approved, Royal engineers translated it into a wood model. Royal then handed back the wood model to L&M with suggestions for minor changes.

This stylist-to-engineer-to-stylist process was repeated several times until Royal got what it was looking for. By late summer, Royal engineers had blueprints, and the plant was tooling up. By early September, only seven months after Royal had signed a contract with L&M, the first production models came off the assembly line.

• **Improvements**—Design changes are easy to spot. The typewriter is wider at the top of the keyboard, and lowered almost to table top so that the rubber legs don't show. The front of the frame is continuous, with the space bar set within. The opening for the keys is larger, more nearly square. And the keys are all plastic without metal frames.

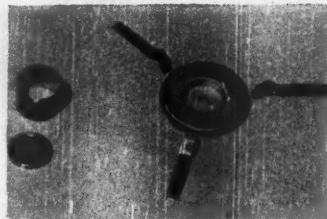
## PRODUCTION BRIEFS

**Brush Development Co.** bought Faxfilm Co., Cleveland, to expand its line of surface-studying instruments that show the characteristics of a material surface, such as steel. Faxfilm's device duplicates a reverse replica of a surface in clear plastic, gives a magnified three-dimensional picture of the surface when shown through a micro-projector.

A new auto-cushion design of L. A. Young Spring & Wire Corp. cuts use of critical materials. Stapling coil springs to Masonite Preswood frames saves more than 25% in steel. Coating the springs with tiny rayon fibers eliminates wrappings of imported burlap.

Cutbacks in styrene allocations from 23-million lb. to 17-million lb. will bring the wolf to the doors of at least a third of the plastic injection-molders, says the Society of the Plastics Industry.

**St. Regis Paper Co.** is putting \$30-million into plant expansion in the Southeast. This means its northern mills won't have to supply southern plants, can use all their expensive imported pulp themselves.



MULTIPLE ASSEMBLIES of TV tube parts, redesigned by Volkert, become . . .



ONE-PIECE, mass-produced TV tube components that cost less, perform better.

## Small Operator Stars In Redesign Problems

The big fellow often overlooks one important cost-cutting factor: the little fellow. The owner of a small contract shop has a low overhead. If he has a flexible, fast-thinking staff, he can do more than just make a good living for himself. The small operator can also come up with ideas that the big fellow can put to work.

John Volkert Metal Stampings, Inc., of Queens Village, Long Island, is showing what a small supplier who understands production can do.

• **Fast Growth**—Fifteen years ago, John Volkert and Jack Kleinoder invested \$50 to set up partnership in a cellar shop. Today, they are nearing a \$1-million-a-year business. Their outfit consists of 100 men and four brass hats. It is the primary independent supplier of metal parts for TV picture tubes, second only to RCA in that field. Last year, Volkert turned out about 135-million precision stampings for TV manufacturers and at the same time did a good business in precision die-making.

This week, the company was heading into a new job for Uncle Sam: It has subcontracted to produce about 675,000 precision stampings a month.

• **Sales Talk**—Volkert's big sales argument is the dollar savings it can make through smart engineering and clever die design. They cite cases:

• A manufacturer thought that a certain metal base required five hand-press operations. Volkert demonstrated that it can be done on a single pro-



*it won't go in one ear*

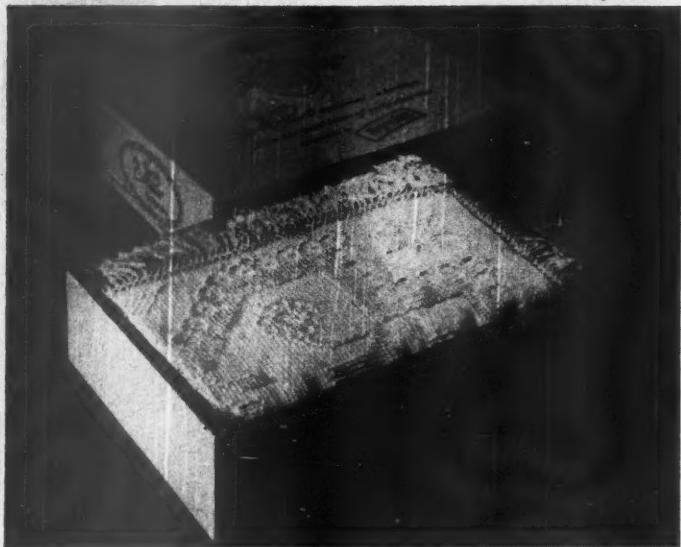
.....  
*and out*

*the other*

*when you send a telegram*

Clear—concise—direct—a telegram  
never forgets—never forces snap decisions—  
never makes you guess what the other  
man said. You can refer to the written  
record again and again. Compare this orderly  
method with notes scribbled under the  
pressure of hurried conversations—  
and you'll always use *telegrams!*

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gressive die—with considerable savings, greater output, closer tolerances.

• The company redesigned other stamped parts for TV tubes. Result: Stamping on a progressive die—in which a series of operations is performed consecutively—can be done at a saving of 48% to 60%.

• Making things in one unit instead of small assemblies eliminates separate pieces and welding. This has sliced costs as much as 58%.

• Unusual forming methods are used. In one case, flat stock is trimmed into shape and formed with a lock seam in one pass. This does away with expensive stainless tubing, cuts costs 50%.

• The firm studies new ideas in welding and assembly of tiny parts. Its engineers are now producing grid and anode assemblies on ingenious indexing fixtures. In these assemblies pin-size projections are spaced angularly within plus or minus 1 deg. on a tubular piece smaller than a fountain pen's barrel. (In the works is a completely automatic machine to do this job.)

• Experts—Volkert produces parts to tolerances of less than 0.002 in., keeps rejects at less than 2%. This isn't easy, considering that the parts can run about 8,000 to the pound.

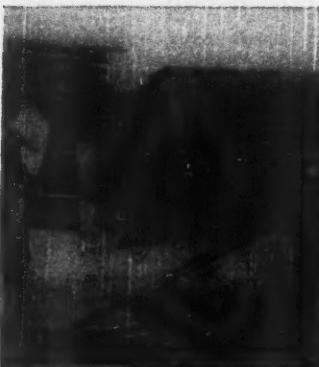
The secret lies in a thorough knowledge of die-making—plus flexibility and engineering imagination. Both partners were expert tool and diemakers: Volkert started with Frank J. Quigan, Inc.; Kleinoder with Mergenthaler Linotype Co. Their original plan was to sell their die-making knowledge to industry, use their shop to work on improved die materials and unusual progressive dies that could be easily adapted to high-production presses. Back in 1943 they were pioneers in the National Tool & Die Manufacturers Assn., formed to build up the subcontracting business.

Later, as the company prospered, they came up with another idea: Why not use their die-making knowledge to make stampings on a contract basis and get into the parts-supply business? The idea was sound. Business reached a wartime peak of \$400,000 a year, dropped to \$200,000 in 1946, then started climbing again.

Volkert sold on the basis that it could help the big user reduce component-parts costs, meet fast delivery schedules, cut down rejects.

• Jackpot—But the big break came with television. Volkert started off with a modest weekly output of 20 sets of TV tube parts. At first it used the experimental designs submitted by big-company engineers. But redesign and better die work upped the firm's output to 30,000 sets a week by 1949. Today it is turning out more than 100,000 sets a week.

## NEW PRODUCTS



### Motor Wheelbarrow

S&S Vending Machine Co. has a motorized wheelbarrow, called Pow-R-Barrow. It can pull a full load up a 40% grade, the company says.

The air-cooled engine, mounted under the barrow bed, drives through a V-belt and pulley directly to the tire tread. Cylinder compression brakes on downgrades. On level ground, Pow-R-Barrow runs at a comfortable walking pace. All controls are on the right handle.

S&S says Pow-R-Barrow doesn't eliminate men on a job, but it makes work easier and smooths the flow of materials.

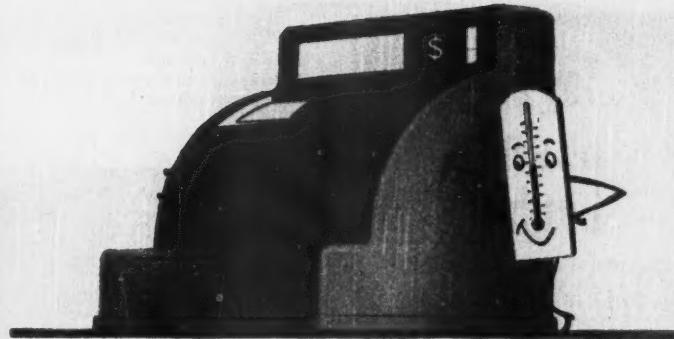
• Source: S&S Vending Machine Co., San Jose, Calif.  
• Price: about \$121 retail.



### How Thick Is Thin?

Federal Products' Model 644 Portable Thickness Gauge for checking sheet steel is accurate to the nearest 0.001 in.

You slip the gauge over the sheet and release a retraction lever. Spring-loaded upper and lower anvils grip and hold



## Will YOURS lose weight

when the  
weather's  
HOT?



Only a cash register loses weight for lack of exercise. Looking now to next summer, will your cash register suffer from lack of business—because you're not air-conditioned?

Now is the time to insure next summer's profits by installing air conditioning. Your Worthington distributor can give you an attractive price.

#### Follow the Lead of the Largest

Selected for such large installations as J. C. Penney stores, Quebec House Apartments in Washington, Burlington Mills in North Carolina—

Worthington also makes small "package" units for small shops, eating places and offices.

Worthington users say Worthington equipment works best because it's all made . . . not just assembled . . . by Worthington.\*

And Worthington's over-50-year experience in air conditioning and refrigeration is balanced by your local distributor's engineering experience. (See Classified Telephone Directory). Worthington Pump and Machinery Corporation, Air Conditioning and Refrigeration Division, Harrison, New Jersey.

## WORTHINGTON



AO-83

### AIR CONDITIONING AND REFRIGERATION

The Only Complete Line . . . Always the Correct Recommendation

\*Worthington makes more of the vital components—compressors, condensers, engines, turbines, pumps—for completely engineered systems or unit conditioners than any other manufacturer.

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**TWA's new, fast, all-cargo "Sky Merchant" Fleet speeds your shipments to important markets in U. S. and overseas.**

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## Check these outstanding advantages:

1. Save shipping time.
2. Obtain faster, wider distribution.
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4. Reduce risk of pilferage, damage, loss.
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6. Receive careful, dependable handling of all shipments by TWA cargo specialists.
7. And remember, TWA service meets the urgency of every emergency.

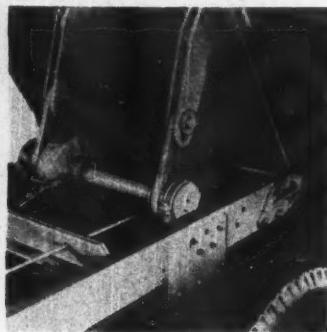
Make a memo—NOW—to phone TWA (Trans World Airlines) for information, rates, schedules, quick pick-up service. Request interesting folder from Cargo Sales Manager, TWA, 60 East 42nd Street, New York 17, N. Y.



All TWA flights carry  
Air Mail and Air  
Cargo.

the gauge perpendicular to the steel surface. Then you read the measurement on the dial indicator.

- Source: Federal Products Corp., 1144 Eddy St., Providence 1, R. I.
- Price: \$100.



## Weatherproof Hoist

Detroit Mechanical Hoist Corp. says its hoist for dump trucks, called the Dube Mechanical Hoist, is efficient in almost any weather. Unlike hydraulic hoists, this one has no fluid to congeal or thin out with weather changes.

The hoist runs from a conventional power takeoff on the truck engine, has a 600-to-1 gear reduction arrangement. Direct power for the hoisting arms is transmitted through a cam and roller combination. DMH claims that the hoist handles any dumping angles up to 60 deg., won't slip, and is self-locking at any angle.

- Source: Detroit Mechanical Hoist Corp., 3502 W. Fort St., Detroit 16.
- Price: \$380 for 1½-ton truck model (price varies with truck sizes).

## Shredded Plastic Filter

Goodyear Tire & Rubber Co. has developed an air filter made of shredded plastic. The filter is so efficient, the company says, that it traps and holds the microscopic solids in cigarette smoke. It is designed for hot-air furnaces and air-conditioning units.

Goodyear shreds a thin plastic film into a porous mass, then places it in a metal frame. As air flows through, the plastic picks up an electrostatic charge. Thus air friction makes the filter self-charging in operation. And it's the electrostatic charge, of course, that catches dust, soot, and smoke particles.

Goodyear says its filter collects dirt throughout the whole porous mass. And unlike conventional filters, this one can be cleaned in water containing a detergent and put back in place.

- Source: Goodyear Tire & Rubber Co., Akron, Ohio (for plastic material only).

## NEW PRODUCTS BRIEFS

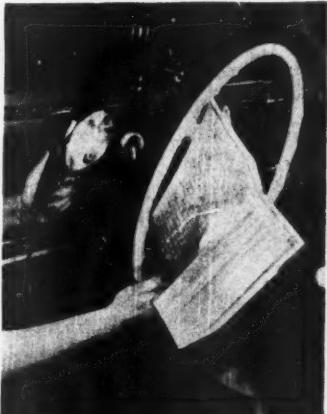
An asphalt mixer with replaceable bolted sections is available from Standard Steel Corp., 5001 Boyle Ave., Los Angeles 58.

Fluorescent-coated paper, called Velva-Glo, comes in eight basic colors, glows in ordinary daylight, takes letterpress, offset, lithograph, and silk-screen printing. It's made by Radiant Color Co., 392 Bleeker St., New York City 14.

Manco 15, a 15-in. bolt cutter, does the work of a standard 18-in. cutter, while costing and weighing less, according to the manufacturer, Manco Mfg. Co., Bradley, Ill. Price: \$7.50.

Nonskid tray made by Du Cor Co., Los Angeles, simplifies carving. Removable stainless pins fit in the tray, hold roast or fowl securely. Price: \$5.95 and \$9.95.

Explosive gases can be checked accurately with an explosionproof, portable, 7-lb. analyzing instrument, made by Lor-Ann Instrument Co., Jersey City, N. J.



## Plug-in Spot for Autos

You can throw light on maps, street numbers, and flat tires by plugging this powerful car spotlight into the cigarette lighter socket. The 4-in.-diameter sealed beam unit, made by General Electric, produces 45,000 candle power. The light has a pistol-grip handle, a thumb switch, and an 11-ft. cord. About 8-in. long, the light will fit in the glove compartment. Chrysler sells it for \$7.95 under the name Mopar, but General Motors is also distributing it to dealers as an accessory.

Century 40 horsepower, type SC motor driving an induced draft fan for a stack.

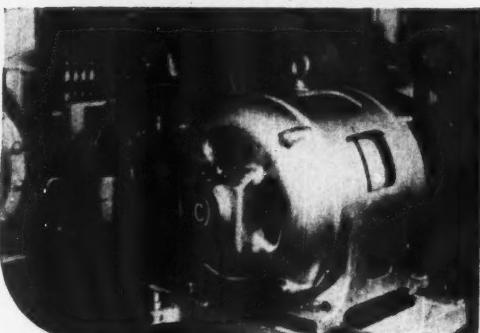
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*Century's*  
Line of Electric Motors  
You Can Select



- 1 Right Kind**—to match your current supply
- 2 Right Type**—to meet your load characteristics
- 3 Right Protection**—against atmospheric hazards
- 4 Right Size**—from 1/6 to 400 horsepower



Century 150 horsepower, type SC motor driving a two-stage centrifugal pump in a city water plant.



Two Century 75 horsepower SC high torque motors driving refrigeration compressors.

The wide range of kinds, types and sizes of Century motors makes it possible to select a standard motor to meet the requirements of all popular applications.

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**NATIONAL STEEL CORPORATION**



## READERS REPORT

### Confidentially, It Shrinks

Sirs:

Some of my guided-missile friends are interested in your piece, "War Plane Solo Pays for North American" [BW—Nov. 25 '50, p32], particularly that bit on page 40 . . .

"First star performer . . . was the NATIV . . . 13 ft. long and 18 ft. in diameter . . ."

Shoot 'em out of the Holland Tunnel, eh?

ARNOLD S. LOTT, LT., USN  
DEPT. OF DEFENSE,  
OFFICE OF PUBLIC INFORMATION,  
WASHINGTON, D. C.

• Upon investigation, we find that the Holland Tunnel is not available for this purpose. The diameter has therefore been reduced to 18 in.

### But Zinc Sinks

Sirs:

This is just a note to express our appreciation of the article, "Heavy-Media Process Moves Into New Fields" [BW—Nov. 18 '50, p60].

The article is scarcely marred by the statement that the zinc concentrates float while the waste rock sinks. While in the case of coal the valuable material floats, in the case of most ores, the valuable material sinks, and the waste rock floats.

JOHN T. SHERMAN  
AMERICAN CYANAMID CO.,  
MINERAL DRESSING DIVISION,  
NEW YORK, N. Y.

### And to Change the Subject

Sirs:

I was very much interested in the article entitled, "Iced Mercury Opens Fields for Casting" [BW—Nov. 11 '50, p85].

We have been operating under the Mercast license since Dec. 23, 1947, and are the largest production unit operating under this license today. You state "Thompson is one of the three operating under this license"; you mention the three—Thompson, Sperry, and Precision Castings Co.

Precision Castings Co. is quite a large die-casting company and is in no way connected with the Mercast process.

WILLIAM I. NEIMEYER  
VICE-PRESIDENT,  
ALLOY PRECISION CASTINGS CO.,  
CLEVELAND, OHIO

• The name we intended to use was, of course, Alloy Precision Castings Co., Cleveland.



*"Well, it's this way—my mother-in-law  
wants to go to Florida. And—bless her soul—  
I can't refuse her that!"*

Over a period of years, The Pennsylvania Company has given considerate care to helping people meet personal emergencies and family needs. At the present time, we have several thousand Personal Loan Accounts, yet our genuine, personal interest in each individual customer has never been spread thin. That's part of the reason we're serving more people more ways than any other Philadelphia bank.

## THE PENNSYLVANIA COMPANY

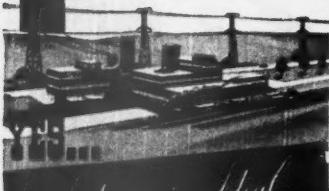
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With plenty of low cost Indiana coal, and an adequate water supply, electric generating stations now produce nearly 2,000,000 H.P. for industry, commerce and agriculture. Firm power for Indiana's multi-fold activities.

Within another 18 months an additional 500,000 H.P. will be available for use. And, the thousands of miles of transmission lines now delivering power in Indiana are interconnected with systems in surrounding areas for mutual strengthening of supply. Indiana offers you adequate firm power.

#### AND WHAT ABOUT RATES?

Under fair, constructive State legislation, Indiana manufacturers find their electric power costs as low as  $\frac{1}{2}$  of 1% of their total production expense. Yes, Indiana offers firm power, adequate, cheap, to industry, commerce and agriculture in all parts of the state.

In addition, Indiana also offers you an equitable tax structure, fine labor, excellent transportation facilities, raw materials, a good educational system and wonderful recreation areas. If you are looking for a location for your business, investigate the many locations in Ideal Indiana.

Write for our booklet, "Industrial Facts about Indiana" now. Please give your title and company name when writing.

**Indiana**

DEPARTMENT of COMMERCE  
and PUBLIC RELATIONS  
Dept. 101 • State House • Indianapolis, Ind.

# RESOURCES



METEOROLOGIST Irving P. Krick and other rainmakers want state control.



SEN. CLINTON P. ANDERSON thinks the federal government should do the job.

## Who'll Get the Rainmaker?

Weather-control, a fast growing business, has reached the stage where it needs controls. But the issue is: Which government—federal or state—will do the job?

Rainmaking has come of age. Rainmakers are no longer experimenters. They're businessmen. And the government is all set to control the weather-controllers.

Which government will get the job is not clear yet. If Sen. Clinton P. Anderson has his way, it will be the federal government; he will introduce a bill to that effect in the new Congress next month.

But the rainmakers themselves, as well as local groups in some western states, want the control power vested in the individual states. It's likely that control bills will be introduced next year in at least two states—California and Colorado. New Mexico and Nevada are other possibilities.

• **Control**—Here are some of the basic reasons cited by those who believe control is needed:

• The scientific need for efficient correlation of data on rainmaking experiments.

• The danger that unregulated rainmaking by anyone who comes along may do more harm than good.

• The need for some legal basis on which to cope with possible damage suits against rainmakers.

• **Federal**—Anderson's bill will cover all these points. It hasn't been finally drafted yet, but basically it would:

Create an independent commission (along the lines of the Atomic Energy

Commission) with authority to license cloud-seeding experiments.

Grant the commission power to issue and enforce rules and regulations.

Exempt any cloud-seeder who has a license from liability for damages.

Regulate the fees that are to be charged by seeders.

Foster private research and experimentation under federal supervision.

• **State**—The state bills are sure to contain much weaker provisions. You can get some clue as to how much weaker from the report of a meeting of the Western Interstate Committee on Agriculture, held recently at Santa Fe, N. M.

The report held that "the business of artificial nucleation of clouds to create rainfall . . . has not progressed to a point where regulation is indicated, although some preliminary supervision by a proper state agency would appear desirable." It went on to recommend that research and development in artificial rainmaking be encouraged and that laws be passed—if necessary—to provide for registration with state agencies of rainmakers and of manufacturers and sellers of rainmaking equipment.

• **New Science**—It's only within the past year that weather-control has become important. Before then, only scientists and a few others knew that weather might be controlled. It was only about four years ago that General

Electric scientist Vincent Schaefer discovered that dry ice would produce rain from supercooled clouds (BW—Feb. 18 '50, p25).

Since then weather-controllers have sprung up like weeds. Perhaps the most widely publicized is Dr. Wallace E. Howell, who was hired by New York City this year to increase rainfall over its depleted watershed. But the profession's big growth has been in the water-short West. And the biggest fish in that pond is Irving P. Krick's Water Resources Development Corp. (BW—Aug. 5 '50, p28).

• **Competition**—Krick has done or is doing weather-control jobs all over the West—in Washington, Oregon, California, New Mexico, and Colorado, among others. But his competition has been increasing. One of his former associates, Charles Barnes, got the contract to increase rainfall over Redlands, San Bernardino, Colton, and Riverside, Calif. And another California entry, Eugene Bollay, underbid both Krick and Barnes last month to get a contract from Santa Barbara.

Krick is doing better outside of California. Right now, he's busiest in the Continental Divide area of Colorado and New Mexico. He believes that scientific cloud-seeding can greatly increase the winter snowpack on the eastern slope of the Divide. This would increase the runoff next spring for the drought-plagued farm country to the east. Krick has estimated that a coordinated scientific program could up farm income in Colorado alone by \$500-million a year.

Krick already has several contracts lined up in the area for this winter, among them a \$22,500 job that will be paid for by 13 counties in southeastern Colorado whose aim is to increase the runoff in the Arkansas River basin. (He says this is the first repeat contract in weather-control history; he did a rain-increase job for this same group this summer.) And he's doing preliminary surveys for several other groups in the area. If all the projects now pending go through, Krick will be busy this winter over a strip of country 400 mi. long, from the Wyoming line to mid-New Mexico.

• **No Amateurs**—Krick himself is in favor of some control over rainmaking. He thinks a licensing system would eliminate "amateur bunglers." But he wants state control. Krick claims that federal control is sure to be too dictatorial.

And he fears that the negative attitude of the U.S. Weather Bureau—which remains firmly unconvinced that the rainmakers really do make rain—would be bound to have some influence on any federal control commission, even if the bureau itself were not officially part of the setup.

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For a new idea in fastening—for brand-new fastener economies—it's important to you to try Rollpins, ESNA's new self-locking fasteners.

One test application will show you how Rollpins can cut machining costs and assembly time on every type of fastening job. In fact, no reaming, no threading, no peening, no keying is required when you use Rollpins, because Rollpins give a vibration-proof fit in standard drilled holes. To fasten two pieces of metal—or to fasten a number of laminations—just drill holes within normal tolerances in each piece, press or hammer a Rollpin in place, and the job is done. Rollpins fit flush, can be removed with a drift or pin punch.

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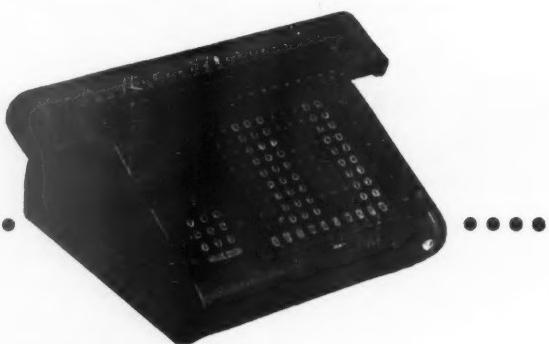
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## Threat to Pacts

West Virginia tries to pull out of a water-pollution compact. Supreme Court will decide if such agreements are binding.

Has any state the power to take joint action with any other state to solve water problems—or, for that matter, any common problems? That's the real question behind a case that was being argued before the U.S. Supreme Court this week.

What the court decides will affect all interstate pollution-control bodies. At least 11 of these, involving 30 states, have been formally set up. It probably would involve water-allocation bodies, which are vitally important in the West. (Biggest of these is the interstate group that parcels out the water of the Colorado River to states in the river's basin.) And it might affect such quasi-public bodies as the Port of New York Authority, which has thousands of public bondholders. But this is unlikely.

• **Case**—This particular case involves West Virginia's membership in the Ohio River Valley Water Sanitation Commission. The commission was set up in 1948 principally to reduce pollution of the Ohio River and its tributaries. West Virginia was an original member, by an act of its legislature duly signed by the governor. But last April the state's highest court ruled that the legislature did not have the power to join the commission. That's the decision now being appealed to the U.S. Supreme Court.

The impact of the case goes far beyond the mere question of West Virginia's membership in this commission. If the state court's decision is upheld, it will cast doubt on practically every interstate compact or agreement in existence.

Perhaps even more important, it would throw cold water on the formation of any new interstate bodies. No state could ever be sure that the other state or states really had the power to assume the obligations involved.

• **History**—Here's the background of the West Virginia case:

In 1948, eight states in the Ohio River Basin—Illinois, Indiana, Kentucky, New York, Ohio, Pennsylvania, Virginia, and West Virginia—signed the interstate compact that set up the present commission. Discussions had been going on since 1929. This compact was specifically authorized by the U.S. Congress. The U.S. Constitution requires that.

The West Virginia legislature authorized, and the state paid, \$12,250

toward the commission's \$100,000 budget for the fiscal year July 1, 1948, to June 30, 1949. When the time came for the next year's appropriation (same amount), the legislature O.K.'d that, too.

But this time Edgar B. Sims, state auditor, refused to authorize the money. By law, Sims must issue a warrant against the state treasury before an appropriation may be paid. The state Attorney General asked the state supreme court to order Sims to O.K. the payment. By a 3-to-2 vote, the court refused to do so. It held that Sims was right in saying that the law by which the state joined the compact was invalid.

The majority cited two bases for its action:

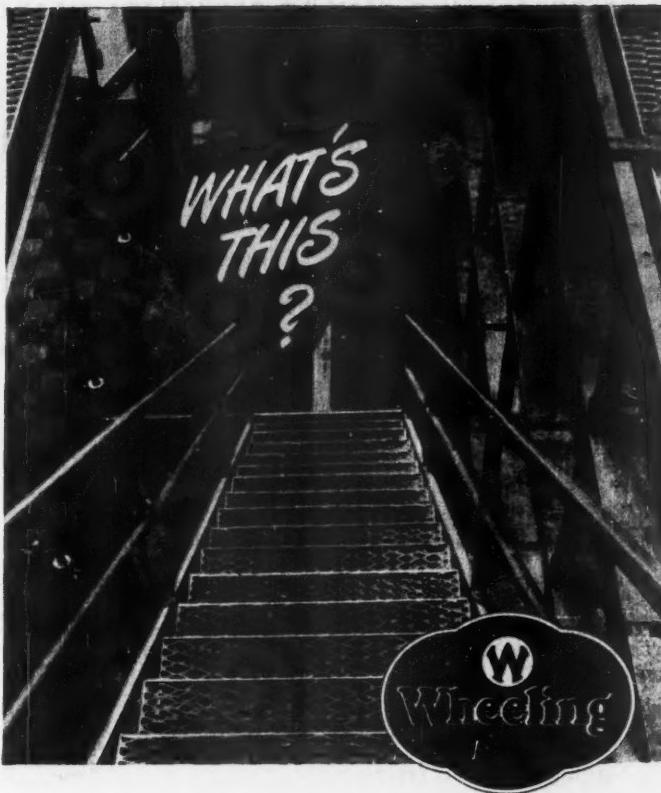
(1) The state constitution forbids the state to contract any debt except for certain specified purposes. The law by which the state joined the compact pledged annual contributions for the commission's support. The majority held that this was, in effect, contracting a debt.

(2) Under the compact, the commission has power to order any municipality, corporation, or other "entity" within any member state to do certain things about pollution. And it can go into state courts to enforce such orders. The majority held that this was an unlawful "delegation in perpetuity" of the state's police power. And the majority opinion pointed out that police power, and rules as to how it may be delegated, are not based on the state's constitution or any constitution, but are basic to the American concept of law.

• Legal?—In its argument before the U.S. Supreme Court this week, the state opposed both findings. As to the second, it merely argued that law did not illegally delegate police power. But its argument on the first was much more complex. It claimed that the law did not violate the debt provision of the state constitution. But it also raised a far more basic point—the one that affects the stability of all interstate compacts:

The U.S. Constitution says: "No state shall, without the consent of Congress . . . enter into any agreement or compact with another state. . ." That clause, says the brief, is "an affirmation of the inherent power of the states to enter into compacts with each other, free of any possible cancellation, limitation, or curtailment," except the consent of Congress. Therefore, it adds, no state constitution can limit or restrict the power of the state to join an interstate compact, because, if it did, it would be in conflict with the federal Constitution.

That's the point to watch when the decision comes out. If the high court



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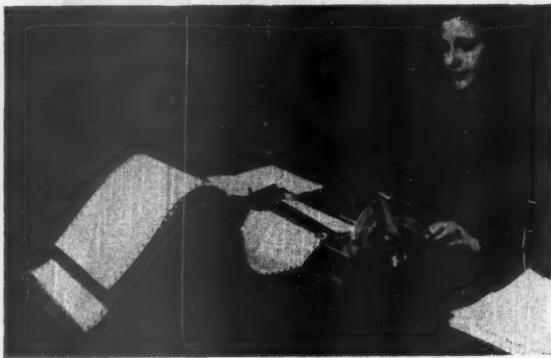


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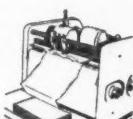
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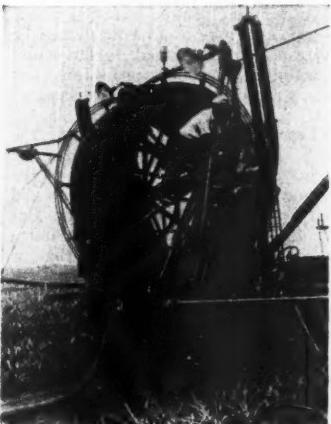
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turns down that argument, no interstate compact of any kind will ever be safe. There will always be the chance that some state court will hold that the enabling act violated some obscure clause of the state constitution, and thus is invalid.

• **Economy**—West Virginians in the know say that the whole thing was Sims' own idea; that no state politics, interstate politics, or personality conflicts are involved. They say: Sims feels the people elected him to watchdog spending; he has based every one of his campaigns since his election in 1932 on just one thing—economy in state government.

For example, Sims recently challenged the right of the state university to pay medical expenses of injured football players. And he has blocked tax sharing by the state and local units. The state has always turned over to the local governments a small portion of the state liquor tax. Recently the legislature voted to increase the kick-back. Sims not only vetoed that, but decided that no payment whatever should be made. Some localities are feeling the pinch badly.

And yet, as one prominent West Virginian who has tangled with Sims observes ruefully: "You know, the funny thing about Sims is that he's very frequently right."



## Hawaiian Rainmaker

Dole Hawaiian Pineapple Co. uses this big hose to irrigate its 14,000-acre pineapple plantation on the island of Lanai. When DHP wants a 1.5-in. rainfall, it hauls out the hose that sits on a spray rig and lets go with 700 gal. of water a minute up and down the rows of pineapples. The hose-rig irrigates 12 acres in 8 hr. Made by U.S. Rubber Co., the hose is 4 in. in diameter, 800-ft. long, and wraps around an 8-ft. diameter reel.

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For raw materials, supplies, and services bought	\$2,766,354,971
Provision for depreciation (wear and tear or obsolescence) of plants, buildings, machinery and equipment and for depletion of coal, iron ore and limestone, etc., by mining operations	270,852,769
Federal, State, local and miscellaneous taxes	267,462,953
Interest and other costs on long-term debt (including dividends of \$27,265,805 paid to preferred shareholders)	117,724,128
Total costs	<u>3,422,394,821</u>
Leaving for wages and salaries of employees, dividends to shareholders, and amount required to be retained by company for needs of the business	*\$1,776,375,676
	<u>100.00%</u>

### \*OUT OF WHICH THERE WAS PAID:

Employment costs (pay rolls, vacations, social security taxes, insurance and pensions paid to or for account of employees)	\$1,474,693,687	83.02%
To common shareholders as dividends	125,126,950	7.04
Amount retained in the business for present and future needs and to assure steady work for employees	176,555,039	9.94
Total	<u>\$1,776,375,676</u>	<u>100.00%</u>

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a business, at any time--with the expectation that it, too, may grow strong--provide jobs, supply needed products and achieve success in the next 50 years. In the preservation of the American way of life lies our future hope.



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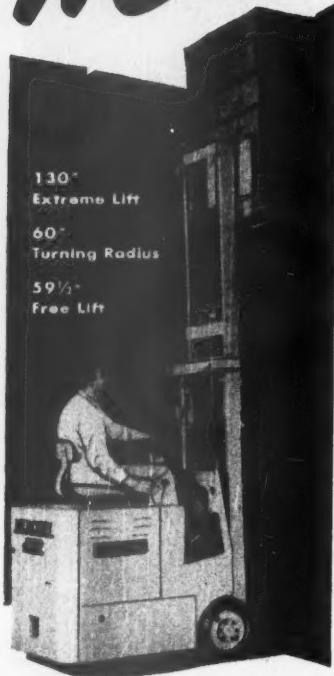
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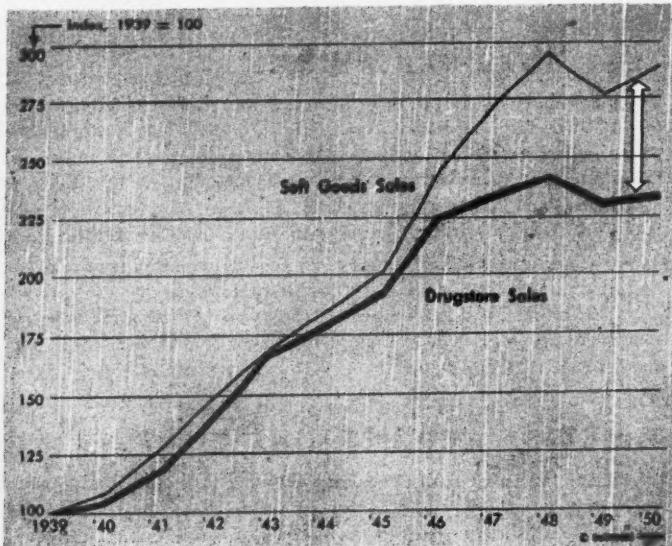
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## MARKETING



### Druggists' Widening Gap

Business is good, but it lags behind soft-goods sales in general. Competition from supermarkets, other retailers hurts. Drugstores pin their hopes to improved merchandising.

Most soft-goods retailers are serenely confident that they're about to hit pay dirt. Consumer income is headed up next year, while hard-goods production is headed down. The resulting squeeze should force a lot of buying power into soft goods (BW-Oct. 28 '50, p36).

Almost the only soft-goods retailer who doesn't think in these terms is the druggist. He's by no means despondent. After all, the average druggist's annual sales in 1939 were \$27,000; in 1948 they were almost \$72,000. On the other hand, he's not sure he's going to get his share of the promised bonanza.

• **Plateau**—The tipoff to the druggist's position was evident last week in A. C. Nielsen Co.'s latest report on retailing. Retail drug sales in the two months following the Korea outbreak, according to Nielsen, held steady. They showed merely the same seasonal increase between May-June and July-August they had shown the previous year.

In short, retail drugstores continued along the same plateau they've been traveling for the past couple of years (chart, above). Drugstore sales simply haven't kept up with the pace set by other soft-goods retailers. And they in turn have lagged behind the gains

made by the hard-goods people. Druggists have thus been getting a steadily smaller share of the money consumers have to spend.

During the first half of this year, druggists have even slipped off their plateau a little. Dept. of Commerce estimates put total retail drugstore sales for the first half of 1950 at over \$1.7-billion—a drop of \$23-million from the year before.

• **Reasons**—That's not a dramatic showing, either for good or for bad. And druggists could even see encouragement in two of the factors that held their profits back. As Nielsen points out, there was practically no hoarding of drugstore items after Korea. Then, too, drugstore prices have remained stable while others have risen sharply. As a matter of fact, drugstore people point out that their prices over the past decade have risen only 12% or less. They attribute this largely to the widespread use of fair-trade pricing. When most prices rise, fair-trade prices tend to hold even.

The wholesale druggist has a different story to tell: While the retailer's sales volume has held even, wholesale drug firms have chalked up gains. During

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1 ↑ "Take these keyhole slots on the contactor base. After I've mounted the empty case on a wall or machine, all I do is clip the contactor into position by placing the keyhole slots over the mounting screws. Plenty of knockouts in the case, too."

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the first nine months of 1950, sales at wholesale increased 7% as against no gain at the drugstore level.

Wholesalers have a ready explanation for this seeming paradox. Their increase in sales is a result of the growing business they are now doing with other sources, such as the medical profession.

- **Salesmanship**—The drugstores' real difficulties seem to be mainly a matter of merchandising. They date a long way back. To begin with, drugstore operators started out as pharmacists; today the independent operators are still largely pharmacists. They got into their present type of business by the back door. Years ago, to keep in business, the pharmacist began borrowing lines from other retail stores—cigarettes, alarm clocks, soap, candy, and the rest of the hodgepodge they now carry.

Today, according to most druggists, drugstores make big profits on these so-called front-of-the-store items. Prescription departments are not big money makers, despite high markups.

Many observers feel that because the independents are primarily pharmacists, they aren't very good salesmen. Furthermore, the typical druggist has developed a protectionist philosophy over the years.

- **Protection, Please**—When threatened by competition, the druggist has a tendency to run to the nearest legislature for protection. He did just this back in the depression when the cutters began to hurt his business. Drugists were then, as they are today, the chief advocates of fair-trade laws (BW-Jul.15 '50,p4). Having cured internal troubles by these means, they often try to use them in fending off competition from the outside. They continually agitate to get state legislatures to ban supermarkets and others from carrying drugstore items.

Supermarkets are the druggist's biggest enemy, but not his only one. In recent years department and variety stores have followed the druggist's lead and taken over his best profit-making lines. As a result of this process—called "marketing arbitrage"—supermarkets alone are doing big business with more than 70 drugstore items.

- **Where It Hurts**—What these inroads have meant to drugstores was dramatized recently at a national meeting of the National Wholesale Druggists Assn. A report showed that druggists' losses have been particularly severe in:

**Sanitary goods**—Between 1945 and 1949 the over-all market grew 50%, to \$110-million. But drugstores' volume dropped from 50% of the market to 45%.

**Dentifrices**—The four-year growth was 43%, to \$108-million. Druggists' share dipped from 60% to 50%.

**Shampoos**—The market grew 153%

to reach \$74-million. Druggists had 60%, now have 45%.

At the conference there was considerable straight-from-the-shoulder talk. The gist of it was that independent drugstore operators had better learn better merchandising methods. As E. T. Williams, president of The Lambert Co., put it: "Druggists should study and adopt some of the retailing methods of syndicate stores and supermarkets. If they don't, more and more supermarkets will be installing pharmacies."

- **Experiment**—Some drugstore operators have already been working along these lines. Last year the New Mexico Pharmaceutical Assn. decided to see if it could beat the supermarkets at their own game. It made a complete survey of supermarket methods, then set up an experiment. It found a druggist who would cooperate and a wholesaler who would give aid and backing. The drugstore was refitted with easy-to-get-at open shelves in the manner of a supermarket.

- **Results**—According to American Druggist, the results were promising enough to get druggists excited. The test drugstore registered increases in sales of more than 75 popular items. Many of the gains were high—60% for Lyon's Tooth Powder, 90% for Wildroot Cream Oil, 40% for Burma-Shave.

The Rexall Drug chain has been working along similar lines. Some months ago its subsidiary, Owl Drug Co., set up a partnership operation with several grocery supermarkets on the West Coast (BW-Sep.23 '50,p57).

So far Rexall has tried two variants of the scheme. In both cases it set up shop under the same roof with the supermarket. But in one type of operation it separated the two by turnstiles and checkstands. It has found so far that it gets better volume when the two stores are combined.

Rexall says that it is too soon to make a progress report on the experiment. It believes, however, that the super-drug-grocery-store is a natural for one-stop suburban shopping centers.

- **Distribution Costs**—Druggists are keeping an eager eye on these experiments. They are likewise awaiting anxiously the completion of a major industry study, now being made by the National Assn. of Retail Druggists. This is a comprehensive survey of distribution costs. When it comes through, a year or so from now, druggists will know a lot more about what makes profits—and losses—for them.

There is another bright ray on the druggist's horizon. The nation's continually rising health standards means greater sales of certain products. Antibiotics have provided druggists with a big new source of sales. Formerly hospitals handled antibiotics; now druggists handle 70% of them.

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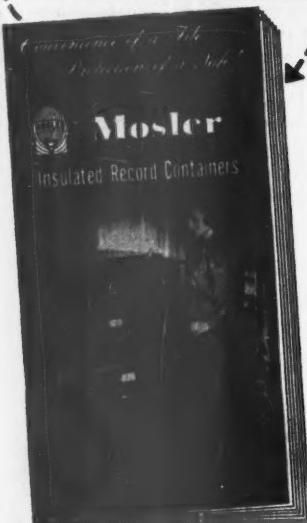
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## Savings on Service

Industrial handling techniques help department store warehouse cut costs, get merchandise to customers faster.

When F. & R. Lazarus & Co. opened its \$1.5-million bulk service building 20 months ago (BW-Apr. 9 '49, p39), store officials were sure they could take a big slice off costs of handling merchandise. This week, the Columbus (Ohio) department store had figures to show just how substantial the savings have been.

• **Industrial Techniques**—When they planned the building, Lazarus officials and Austin Co. engineers decided to borrow some handling techniques from industry. They eliminated elevators completely; fork-lift trucks move the merchandise from unloading docks to storage areas and delivery trucks. Merchandise never travels more than 242 ft.—and it is moved as little as possible.

Store president Robert Lazarus says

that because of the new building, bulk purchases such as furniture, appliances, and rugs can be delivered to customers within 48 hours. What's more, the store has been able to save money on almost every phase of its merchandise-handling operation.

• **Savings**—Comparing handling costs during the last half of 1948 with costs during the last half of 1949 when the new building was opened, Lazarus finds these savings: inbound transportation charges—reduced 29.7%; handling costs of incoming goods—reduced 10.6%; cost of preparing merchandise for delivery—reduced 19.2%; merchandise loss and damage—reduced 46.7%.

Lazarus points out that, in the 20 months the building has been operating, it has made many improvements in methods. Preprocessing time has been cut, for example. At first, crews assembled knocked-down furniture, put on hardware, made minor repairs while merchandise was in receiving and inspection areas. Now they only do preliminary touch-up work, let repair shops handle other touch-up and repair jobs. Polishing and wrapping waits until the

## Cash Sales: Still a Major Factor

Cash Sales as a percent of total sales

	1947	1948	1949	*1950
New Cars	71	66	56	50
Used Cars	63	55	47	40
Other Hard Goods	57	51	46	40

Data: Federal Reserve Board

## Regulation W Doesn't Stop Them

Cash sales before World War II accounted for about 60% of all car sales, about 65% of all other hard-goods sales. After the war, the ratio of cash to credit sales climbed at first, then slipped. But as you can see from the table above, cash transactions still loom large in the picture—much larger than you might think from some of the trade comments on the effects of Regulation W.

• **Solid Backlog**—The 1950 estimate shows that people still have a lot of cash to slap down on the barrelhead. Next year they will undoubtedly have more. Thus the hard-goods people can count on a solid backlog of buying that will be unaffected by credit terms in any case.

Furthermore, there's a lot of credit buying that Regulation W won't touch.

Dept. of Commerce has figured that, during the third quarter of 1950, no less than 40% of all credit sales of new cars were made on terms as stiff as or stiffer than the present terms of the regulation. On this basis, since half the sales of new cars were cash, anyway, only 30% of all new-car sales were actually affected in any way by Regulation W.

Moreover, half of the major appliances, 60% of the radios and TV sets, and two-thirds of the furniture sold on credit would have passed muster under the current credit terms.

• **Less Output**—Take into account the fact that production of hard goods will be cut back sharply next year, and you can see why credit controls aren't likely to produce any surpluses of unsold goods (BW-Dec. 2 '50, p19).

merchandise goes to the customer delivery line.

Those changes reduced loss and damage to in-store and outgoing merchandise by 63% in the first six months of 1950, compared with the same months of 1948. Costs of receiving, checking, and reserve-stock handling were cut approximately 11% in the same period.

• **Test Case**—Federated Department Stores, Inc., to which F. & R. Lazarus belongs, is watching the Columbus experiment with the idea in mind of using the systems in its other stores. Fred Lazarus, Jr., Federated's president, says, "It certainly is going to weigh heavily in our thinking."

## Retailers Worried

### By Merchandise Returns

Merchandise returns are giving alert retailers the willies. Of course, if consumer-goods shortages crop up, returns won't be a problem. But right now, they add up to 7.6% of gross sales. That's not as high as pre-World War II figures (9.2% of gross sales in 1940), but it is a big jump over 1944's returns, which amounted to 5.7%.

• **Survey**—When New York University's School of Retailing interviewed officials of 10 New York department stores to see how retailers feel about the trend, they found that five factors account for the returned-goods trend:

- Greater promotion efforts of retailers, which lead manufacturers to lower quality of merchandise in order to meet the demands for "special purchase" items.

- Failure of stores to maintain adequate records on returns; information on defective materials, for example, very often doesn't get to top management.

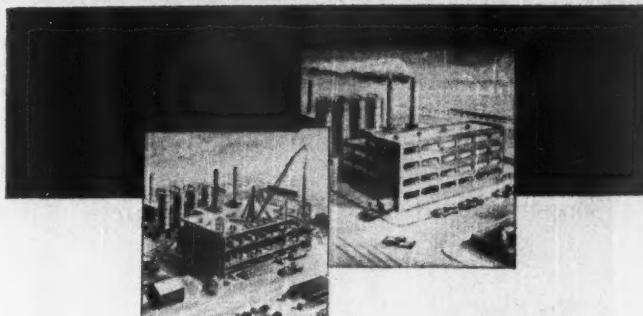
- Returns on appliances—especially TV—are high, because stores don't have adequate repair services.

- Greater emphasis on mail and telephone orders obviously results in greater returns.

- Many stores have too liberal a policy on returns.

By and large, interviewers found retailers have done little but worry about the problem. Only one of the stores kept adequate returns records.

• **Campaign**—In some cities, stores are doing something about the problem. In Baltimore, which has an average of 11,000 returns a day, stores are waging a newspaper, display, and in-store training program aimed at reducing returns. And in Dallas, the Retail Merchants Assn.'s five-week newspaper and direct-mail promotion efforts have reduced the percent of returned goods from 9% to about 6.5%.



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## Antitrust Loophole

Appeals court says companies can get together on prices—if their purpose is to keep prices from rising.

Do companies violate antitrust laws by getting together on prices—even if their aim is only to keep prices from rising?

A few months ago, lawyers would have answered with a flat yes on the grounds that it implied a conspiracy to fix prices. But this summer, a Chicago court of appeals found what may be a loophole in the law and ruled that agreements to prevent a price rise are legal.

• **Price Bludgeon**—The Supreme Court will hear the case—Kiefer-Stewart Co. vs. Joseph E. Seagram & Sons, Inc.—this month. Should it uphold the lower court, it would open a crack in the hitherto tight structure of antitrust enforcement. More immediately, it would give government-controls officials a club to hold down prices. Government regulators could tell companies to get together and blacklist any customer who doesn't hold the line on prices.

Up to now, that has been impossible. Any getting together by businessmen to talk prices—either up or down—has long been considered the cardinal economic sin against the Sherman Act. In case after case through the years, the high court has written that any conspiracy aimed at controlling prices is illegal.

But the Chicago court last summer discovered something in the laws that others may have overlooked.

• **Triple-Damage Suit**—The case is one of the increasingly frequent triple-damages suits (BW-Apr. 22 '50, p59). It was brought by Kiefer-Stewart Co., Indianapolis liquor wholesaler, against Joseph E. Seagram & Sons, Inc., and subsidiaries of the company that market Seagram's and Calvert's liquors in the U.S.

In the original jury trial, Kiefer-Stewart won \$975,000 by convincing a jury that Seagram and Calvert got together and refused to sell it any whiskey because it wouldn't follow price policies fixed by the distillers.

Seagram and Calvert decided they wanted their wholesalers to continue OPA's price practice of permitting wholesalers at 15% markup on cost—excluding state and federal taxes.

But K-S officials let it be known that they were going to figure their markup on cost plus taxes. Whereupon, Seagram dropped K-S as a distributor.

• **Canceled Deal**—Shortly after, Kiefer-Stewart closed a deal with Calvert—a

Seagram subsidiary. Still later, Calvert canceled the deal.

Kiefer-Stewart tossed in evidence that, it claims, proves that Calvert backed out after a get-together with its competitor, Seagram. The jury decided this was so.

• **Decision Reversed**—Chicago's Seventh Circuit Court of Appeals reversed this decision on two counts. First it found that conspiracy had not been proved. Second it found that, in effect, there was no case in the first place. In its decision, the court made a careful distinction between agreements to fix, raise, or lower prices—which would be illegal—and agreements to prevent prices from rising. It argued that in no case of "which we are aware has the Supreme Court held illegal per se an agreement to prevent a raise of prices of manufacturers' or producers' products in the hands of a distributor."

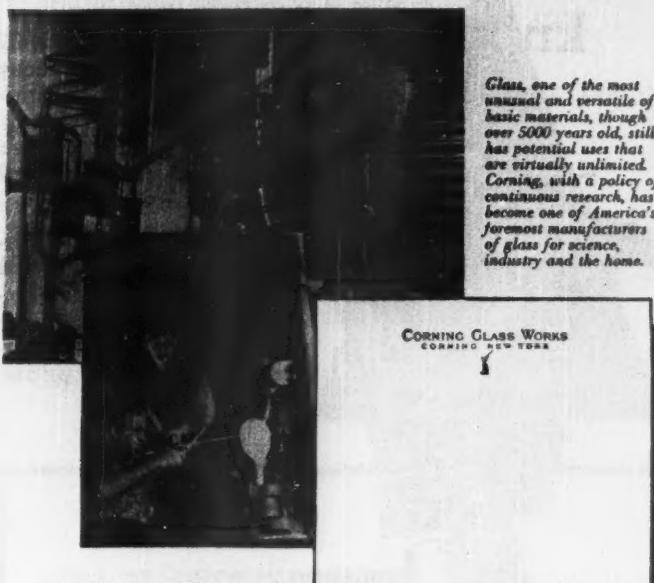
• **Favor to NPA**—If the Supreme Court should agree with the lower court, it could fit National Production Authority Chief Harrison's needs like a glove. He was searching for some such solution when he wrote an order guaranteeing steel warehouses—the industry's independent distributors—their historical share of the civilian supply of steel. The object was to prevent these businesses, and the small businessmen they normally supply, from getting squeezed out as the steel market gets tighter and tighter.

But Harrison also knew this: Instead of supplying their regular customers, some of these warehousemen will divert steel to the gray market—to the man who comes in with the most cash, regardless of who he is. And by assuring these distributors a supply of steel, the government is, in effect, guaranteeing them a big stake if they play the steel price spiral for all it's worth.

• **Pandora's Box to Justice**—But at the Dept. of Justice, feelings run high on the other way. There, lawyers are firmly against any tampering by competitors with the law of supply and demand—especially at the sensitive spot where prices are made. Permitting competitors to "conspire to hold prices down," they say, would open a Pandora's box of troubles for them. "Suppose for example, competitors get together, and then announce they have managed to keep prices from rising more than 10%. How are you going to prove they are wrong when they say that prices would have gone up 20% if they hadn't gotten together?"

There's always the possibility that the high court won't rule on this conspiracy issue and just rule for or against the lower-court decision on some technicality. But there's reason to believe the justices want to clear up this question of price conspiracy definitely once and for all.

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## MARKETING BRIEFS

**Textron** is out of the red. Sales of about \$85-million this year will give it a net income equal to \$2 a share. Last year, sales were \$67.8-million, and the company lost \$1.6-million.

The first major TV cutback to take effect before Jan. 1 was announced by Emerson. It slashed dealers' allocations by 20% "to spread out available supplies over smaller production."

The nickel cup of coffee finally disappeared from the Automat. Horn & Hardart said high coffee prices forced it to go to a dime.

Shoe prices will be up 50¢ to \$1 at retail next spring, manufacturers say.

Seven British firms will launch a co-ordinated merchandising program in the U.S. under the name Great Names from Great Britain. They plan a traveling exhibit to hit major department stores across the country.

**Auto previews:** Kaiser-Frazer Corp. launched its low-priced entry, the Henry J, to 11-million county and state fair-goers. Ford tried a new tack when it introduced 1951 models; women reporters were first to see the cars.

Columbia Records lost its case against dealers who cut fair-trade prices on long-playing records. A New York supreme court referee dismissed the suit on grounds that Columbia's entire line of records hadn't been fair traded, so trademark and goodwill hadn't been damaged. Columbia will appeal.

**Regulation W** won't affect charge accounts and revolving credit plans—at least not for the present. The Federal Reserve Board has assured the National Retail Dry Goods Assn. that it "does not have the question under consideration."

DuMont TV distributors will have a say from now on on cabinet styling, prices, advertising, and sales promotion. DuMont figures the plan will tie distributors closer to the company.

**Merry Christmas:** Children's bike sales will skyrocket to 600,000 this year, with 40% of them sold as Christmas gifts. That's the estimate of the Bicycle Institute of America.

**And Happy New Year:** Champagne sales this fall are 40% above last year, the biggest since 1946, says Paul Mason, Inc.

# DEFENSE BUSINESS

## Copper-Aluminum Snafu

First, NPA imposed drastic restrictions on civilian use of metals; then it modified its cutbacks. Meanwhile, the Korean situation points toward even tougher controls.

The bad news from Korea means tougher industrial controls (page 19). But Washington hasn't done anything drastic this week. In fact, the last batch of orders by the National Production Authority softened the impact of earlier restrictions.

• **Copper**—First, the long-expected cutback on consumption of copper for civilian use was unexpectedly mild. Early talk around NPA had fixed the prospective cutback at 35%, the same level as for aluminum. But this figure was reduced while the order was still in draft form. Finally, NPA settled on a gradual cut in civilian use—in January and February, to 85% of average consumption during the first half of 1950; in March, to 80%.

• **Aluminum**—Second, the three-week-old aluminum-cutback order (BW-Nov. 18 '50, p34) was eased considerably. NPA order M-7 would not have hit civilian use until Jan. 1. But amendment of the order cut back the cutback, permitting use of 80% in January, 75% in February, and 65% in March.

• **Protests**—It looked as if NPA had backed away under pressure from tough use limitations on the two metals. There was plenty of pressure—from both industry and labor. It began as soon as NPA announced its original aluminum order.

Thousands of small manufacturers of aluminum products wrote, wired, or phoned NPA that the cutback would put them out of business. Protests of metalworking unions were just as effective. Members of these unions thought the cutback would put them out of jobs.

CIO's electrical workers joined the hue and cry. The cutback affected just about everything they worked on, from heavy power equipment to shields for electronic equipment. They were joined by auto, steel, and other unions with members in aluminum-consuming industries.

The same groups protested in advance about the copper order. NPA warned it was going to do something about copper at the time of its first aluminum cutback.

• **Stockpiling**—Actually, NPA had a tough time defending the original aluminum slash. Defense orders were not

taking anywhere near 35% of domestic aluminum output. Construction of military aircraft won't take its big bite before mid-1950. Meanwhile, starting Jan. 1, civilian fabricators would have to curtail, perhaps some would close down. And skilled workers, who might make aircraft when military orders came through, would be lost to other industries.

Reason for the cutback, of course, was to get aluminum for the stockpile. When NPA announced it could allow more civilian aluminum in January and February, it was obvious that someone had decided to reduce the take of the stockpile for those months. But NPA calmly announced that aluminum supply and defense demands appeared to be in better balance than it had anticipated.

NPA met this type of criticism in advance when it drafted the copper cutback. It deliberated at length with copper producers and fabricators. And defense orders already are taking close to the 15% by which it finally slashed civilian use.

• **Other Cuts**—The agency was equally careful in preparing cutbacks on two other scarce metals. It limited use of primary nickel for nondefense purposes to 65% of average use during the first half of 1950. The cutback applies to the first quarter of 1951. A similar reduction in the use of zinc and zinc products, to 80% of consumption in the same base period, goes into effect Jan. 1.

## U.S. Plans to Boost Synthetic-Rubber Price

The government is getting ready to raise the price of synthetic rubber.

It soon will hike the cost to fabricators to 22¢ or 24¢ a lb.—maybe more. That will mean a boost of at least 3½ to 5½ above the going rate of 18½¢. Even so, synthetic will still sell at one-third to one-fourth the price of the natural product.

• **Higher Costs**—The increase won't mean the government is trying to cash in on scarcity and big demand. Its Rubber Reserve Corp. (a Reconstruction

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Finance subsidiary) is plagued by rising costs.

Labor and material costs have been rising. Rubber Reserve runs the plants on a business basis. Income has to cover costs and amortization. And the corporation is finding that, at 18½¢ a lb., its sales aren't bringing it enough.

On top of that, Rubber Reserve has been reactivating successfully higher-cost plants in its drive to boost output back to wartime levels. So average unit cost per lb. is rising.

The forthcoming price rise will be the government's first since the 18½¢ figure was set, back in April, 1943.

## New Rules on Steel

**NPA raises limit on share of total output that mills must reserve for defense contracts and lengthens delivery time.**

Defense demands have started to take a bigger slice of available steel supply. You could see that—and an even larger grab by DO orders in the future—in National Production Authority's new ground rules on rated orders for steel.

• **Up to 100%**—NPA previously had told steelmakers they need accept DO contracts only for amounts ranging from 5% to 25% of their output of various types of carbon steel and alloy products. The new bite allowed for defense contracts from 5% to 100% of total production of various items.

The 5% limitation remained on a comparatively few carbon-steel products: hot-rolled bars, reinforcing bars, pipe, wire rods, and drawn wire. It stuck, too, on several alloy forms—sheets and strip, other than stainless. But NPA told manufacturers they must accept all the DO's they can fill for tool steel bars, castings, forgings, and semi-finished projectiles of carbon steel, and alloy tool steel bars, castings, forgings, pipe, and rolled armor plate.

Limitations on stainless steel available for DO's ranged from 10% of hot-rolled sheets and strip, to 100% for wire rods and special rolled shapes.

• **Longer Lead**—But manufacturers got a break on lead times—the time in which they must make delivery on various items. NPA kept the old lead time of 45 days for many items but upped it to 120 days for alloy castings and forgings and stainless-steel shapes.

At the same time NPA ordered integrated mills to sell a percentage of their steel left over after filling defense orders to nonintegrated mills. The nonintegrated mills will be supplied in proportion to the amounts they got during the first nine months of 1950.

## U.S. Stepping In

**Government to take over buying of all natural rubber. Industry applauds reported plan as curb on runaway prices.**

The U.S. government is going to set up shop as the sole purchasing agent for all natural rubber used in the country. Informed trade circles in Akron report that the step has been definitely decided, will be announced officially as soon as all the necessary details have been worked out.

President Truman, it is reported, is informing Prime Minister Attlee of the plan in the course of their Washington conversations. A large part of our natural-rubber purchases are made in the British empire.

• **Competitive**—Purpose of placing all natural-rubber purchasing in government hands is to check the current runaway prices. As things stand now, individual buyers are bidding against the government, the Russians, and each other.

Most rubber manufacturers are in favor of the government move and welcome an end to competitive bidding for a limited supply. Their view is that, with the government passing on needed supplies, the industry will be freed from its worst headache—uncertainty on the price of its chief raw material. At the same time, they say that taxpayers will be saved millions of dollars on government stockpile purchases.

• **Price Drop**—In fact, last week's leakage of the one-buyer story brought an immediate leveling off of prices. In one day, the price of spot rubber dropped 4¢, the permissible limit on the commodity exchange.

A minority of rubber manufacturers dislike the plan, asserting that it will bring the government still deeper into the industry. However, the majority pooh-poohs this idea, asserting that the country is already at war, and the government already is telling each company how much rubber it can use. They point to the precedent set in World War II when the government bought rubber at the pegged price of 22½¢ a lb.

## Low-Grade Ore Project

Reserve Mining Co. this week spelled out plans for re-equipping its taconite-beneficiation plant at Babbitt, Minn. (BW-Nov. 11 '50, p76). Reserve, owned jointly by Armco and Republic Steel, will spend \$7.5-million to refurbish the plant, open a mine, and build a new town. It expects an annual production of 300,000 tons of 60%-iron-ore pellets within a year.

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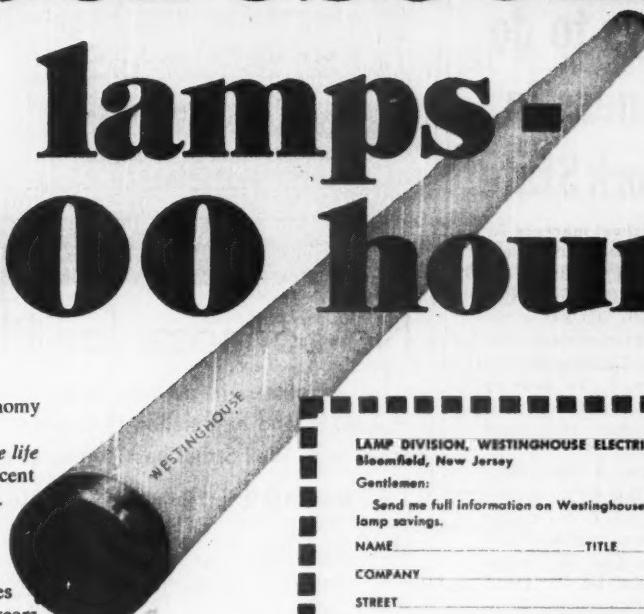
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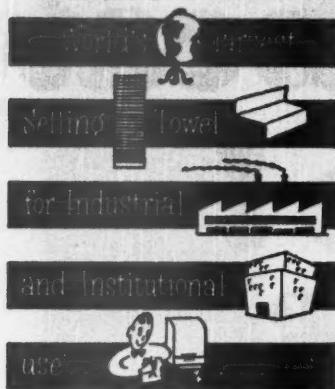
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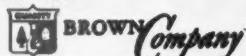
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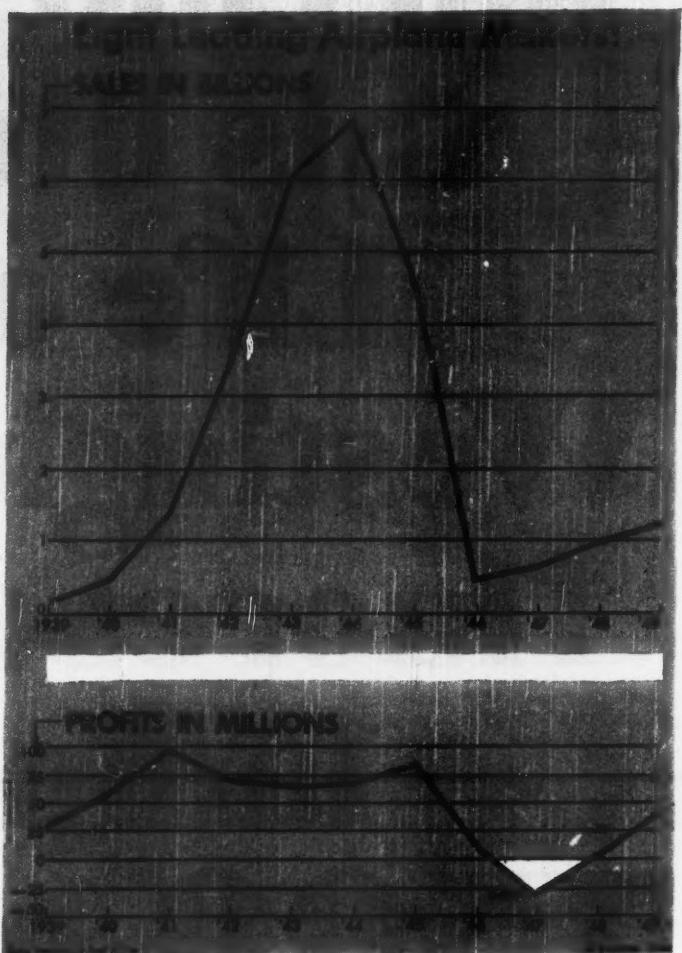
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# FINANCE



## No Bonanza for Planemakers

Profits won't be huge, even though sales zoom. High wartime taxes and negotiation of contracts will hold earnings down. That's why Wall Street hasn't gone overboard for aircraft stocks.

For people who forget their history, one of the big surprises of the stock market since Korea has been the way the aircraft-manufacturing stocks have acted. Aircraft stocks are supposed to be war babies. In the first few weeks after Korea, they acted that way. By early August, Standard & Poor's index of aircraft manufacturing shares had shot up to its highest level since the

optimistic postwar days of early 1946.

Then the index fell off again. Last week, in spite of the Chinese intervention in Korea, the S&P index of aircraft-manufacturing shares was only 11.5% above its pre-Korea level. Many other stock groups had done much better than that.

The aircraft shares are lagging in spite of the fact that even before the

Chinese intervened, the armed services were planning to spend at least \$7.7-billion for new planes in 1951. That's about three times what they had planned before Korea (BW-Nov. 25 '50, p30).

• **History Repeats**—And yet this hesitant performance might have been expected if Wall Streeters had remembered what happened in World War II. The S&P index for aircraft shares reached its highest level for the whole war period early in 1940, before the U.S. got in on the fighting. From then until late 1944, it kept on going down, although it stayed above the composite industrial index most of the time.

• **Separate Ways**—In the charts (page 78), you can read one of the main reasons for that laggard performance in World War II. Aircraft sales tripled in 1941 over 1940, and almost tripled and doubled again in the next two years. Profits followed another line.

The eight leading companies whose sales and profits are used in these charts were able to bring 12.8% of their sales down to profits in 1939. In 1940, profits were 12.7% of sales. But after the U.S. entered the war, this ratio dwindled to 2.1% in 1942; it went clear down to 1% in the peak production year of 1944.

• **Reasons**—One reason profits shrank, of course, was higher war taxes. Renegotiation of government contracts was another important factor. The government saw to it that the planemakers did not make a killing out of war business.

A third factor for the decline of stocks was a little more involved. Because of the cyclical nature of the business, the aircraft companies had to be very conservative about paying dividends. Although at that time they had high hopes of doing a considerable volume of civilian-plane business after the war, it was obvious that they could not pay out as much of their wartime profits in dividends as more typical industrial companies. That reacted against the aircraft stocks' market strength, because Wall Street considers dividends a more important price determinant than working capital.

They had to be sure they had enough working capital to keep their engineering staffs intact and their research programs going in case of a sharp business drop. So the industry distributed only about 35% of its profits in dividends during the war years. For all private corporations, the payout was about 62%.

• **Up, Down**—But near the end of the war, aircraft stocks did begin to rise. Traders dreamed of a big postwar market for civilian aircraft, with no excess-profits tax to cramp profits. And they looked hungrily at the planemakers'



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large holdings of cash and government bonds (BW-Jun.4'49,p82).

The aircraft companies passed out generous dividends in 1946. But it soon became quite plain that the big civilian market for planes just wasn't there (BW-Apr.12'47,p34). Many of the planemakers skipped dividends in 1947, although most of them had a strong working-capital position. And aircraft stocks dropped to their lowest point since before the war.

• **As Before**—However, as the cold war gathered momentum, the planemakers got more business. Their profits climbed. Until last August, the aircraft stocks were among the leaders of the bull market that started in mid-1949.

Now it looks as if the pattern of World War II may be repeating itself. After their first burst of enthusiasm for the aircraft shares, traders have been taking a second look. They are afraid of the same old bugaboos, an excess-profits tax and later renegotiation of contracts.

For it seems likely that, if an excess-profits tax is enacted, it will take as a base for normal profits the earnings for the postwar years (BW-Dec.2'50,p24). During those years, the aircraft companies didn't do so well. In fact, a lot of them ran into the red in 1946 and 1947.

Neither would the aircraft companies do any better by taking the invested-capital option, instead of using postwar earnings as a base for normal profits. Their investment in plant is relatively small. Many of their plants are leased from the government.

• **Uptum, But—**So traders haven't been particularly impressed by the good earnings reports that the aircraft companies have been turning in lately. United Aircraft Corp., for instance, earned \$9.3-million for the nine months ended Sept. 30, compared with \$6.5-million in the 1949 period. Curtiss-Wright Corp. earned \$5-million during the first nine months of this year, compared to a loss of \$1-million last year before tax carry-back credit. Boeing Airplane Co. earned \$8.2-million for the first nine months, compared to \$1.8-million last year.

The traders have another point to consider. These growing profits are subject to renegotiation. And nobody knows yet how tough the government will be in renegotiating its contracts. On the few postwar contracts renegotiated so far, the government allowed profits after taxes amounting to from 3½% to 4% of sales.

All the industry can be sure of is that each company will be considered separately in the renegotiation process. The company's efficiency will be taken into account, the amount of capital it has invested in war contracts, the amount of financial risk it has assumed.

## Ten-Cent Peace

Birmingham Electric finally wins 10¢ fare for its transit system. Now it's set to modernize and sell.

After more than two years of wrangling, Birmingham's 10¢ bus and trolley fare is official. That means the local electric utility, Birmingham Electric Co., may at last be able to find a buyer for the transit system it operates in the Birmingham area. And it will be able to use \$1.4-million of impounded fares to modernize its facilities.

The 10¢ fare has actually been in effect since July, 1948. But the rate boost was only tentative. The difference between 10¢ and the old fare—7¢ with 2¢ transfers—has been impounded by the state circuit court until a final decision could be made (BW—Nov. 12 '49, p86). The company has had to pass out receipts to passengers, so they could get their money back if the rate hike were turned down.

• **Ups and Downs**—The case has been booted around by the Alabama courts and the state public service commission since March, 1948. The commission at first turned down the rate increase. Then the circuit court allowed the fare tentatively, pending an appeal to the state supreme court. This court at first denied the 10¢ fare, on the ground that, whether or not Birmingham Electric was losing money on its trolley and bus lines, the company's overall earnings were sufficient.

Later on, however, the high court changed its mind. It ordered the public service commission to reconsider the rate boost. Last week the commission finally O.K.'d the new fare. By this time, the impounded cash amounted to \$1.4-million after taxes. The commission said the company would have to use that money to modernize the transit system.

• **Order to Sell**—While it argued the case, Birmingham Electric was ordered by the Securities & Exchange Commission to sell the transit facilities before September, 1951. The company would be only too glad to comply. It says that it lost over \$1.2-million on transit operations during the year ended Sept. 30, even with the 10¢ fare.

About three weeks ago, after extensive advertising, the company offered its transit system for sale. Several experienced operators showed some interest. But nobody made a bid. Apparently, they were waiting to see how the 10¢ fare case came out.

• **Taker?**—Now company president Charles S. Thorn hopes to get some



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offers for the transit property, which his company values at \$18-million. That will simplify a plan by which Southern Co., a utility holding company, hopes to bring Birmingham Electric into its system. Southern Co. has recently acquired over 90% of Birmingham Electric's common stock. If SEC approves, Southern's subsidiary, Alabama Power Co., will eventually get all the Birmingham company's property.

## Embattled Young

Rail financier fights reorganization of bankrupt Missouri Pacific. Plan would wipe out common stock.

Robert R. Young is on the warpath again. Once more, the rail financier is doing his best to stop a plan for reorganization of the Missouri Pacific R.R. (BW-Aug. 19'50,p74) that would wipe out the common stock.

Young's Alleghany Corp. owns more than half the common stock of Missouri Pacific, in bankruptcy since 1933. It has helped to block earlier reorganization proposals. One earlier plan was not approved by enough security holders. Another was overruled by a federal circuit court.

• **Bondholders**—The current plan is backed by MOP's senior creditors. Among these are the holders of \$223-million of first and refunding bonds, including the Metropolitan, Prudential, and New York life insurance companies. The plan has been O.K.'d by the Interstate Commerce Commission and approved by the St. Louis federal district court, which has jurisdiction over the bankrupt MOP.

ICC has sent ballots to everyone who holds securities of MOP or its two bankrupt subsidiaries: New Orleans, Texas & Mexico Ry., and International-Great Northern R.R. Co. These security holders are to vote on the plan.

• **"Unrealistic"**—The Young group is appealing to security holders through full-page newspaper advertisements. Young claims that the present plan is based on unrealistic low earnings estimates. He thinks that MOP and its subsidiaries will earn a lot more in normal years than the plan assumes.

Young wants security holders to reject the present plan and get together on a new reorganization plan under the Mahaffie Act, which would increase the road's capitalization. The new plan, he says, would give all bondholders much better treatment than they will receive under the present plan. Preferred stock, drastically written down by the present plan, would get 2.4 shares of new preferred for each old share. And common

stock (in which Alleghany Corp. is vitally interested) would be allowed new common stock in the reorganized railroad on a share-for-share basis.

A Mahaffie Act reorganization, as distinguished from a reorganization under Section 77 of the federal bankruptcy act, does not require the approval of a federal court. All that is needed is: (1) approval of holders of 75% of the securities in each class; (2) approval by ICC.

• **Debentures**—Alleghany Corp. is also trying to bring MOP's subsidiary, New Orleans, Texas & Mexico, out of bankruptcy without going through reorganization. Young believes this could be done if the federal court would allow the bankruptcy trustee to issue about \$20-million in debentures and pay off the subsidiary's debt to MOP. The Young group is trying to get cash bids for this debenture issue, to prove it is practical.

## Storm Bill of \$40-Million Hits Underwriters

Fire insurance companies have been hit hard by the storm that swept the eastern U.S. two weeks ago. Stock and mutual fire companies say they will pay out anywhere from \$20-million to \$40 million in claims. In most cases, these claims will come under the "extended coverage" clause that is usually included in fire policies.

• **Chiseling**—To add to the companies' troubles, claim chiseling is going on in some parts of the storm-damaged area. Contractors approach householders with this proposition, or a variation of it:

"I'll repair your roof and send you two bills. The smaller one you pay; the larger one you send to your insurance company when you put in your claim." Usually, the contractor gets paid off by overcharging the homeowner on the smaller bill.

One protection that the insurance companies have is the \$50 deductible provision included in most household policies written during the last couple of years. The homeowner pays the first \$50 of damage himself. That means the real damage has to be over \$50 before it's worth cheating.

• **Faith in Honesty**—The companies, of course, can protect themselves by having adjusters check the repair jobs—as soon as they get around to them. But since anywhere from 250,000 to 400,000 claims will probably be filed, it's impossible to check every claim.

"Our chief protection," says one insurance official, "is people's natural honesty. We know most people are honest. The insurance companies wouldn't be in business if they weren't."

## Happy Mergers

Both sides will gain from Carborundum-Minnesota Mining & Mfg. deal. Result: integrated concern with varied products.

As Minnesota Mining & Mfg. Co. and Carborundum Co. stand on the eve of a merger (BW-Dec. 2'50,p96), it looks as though they were made for each other. Each company has something the other one needs. So, if stockholders approve at special meetings next month, as expected, they will get together by mid-January.

This week executives of the two companies spelled out the expected gains:

**MM&M** will get an ample supply of the basic materials it needs in its abrasives. An outstanding growth company, MM&M has had to buy materials that Carborundum, a competitor in the abrasives field, makes in its electric furnaces.

Carborundum will get product diversification. The company, in which the Mellon group is supposed to have a substantial interest, has been bothered by the fact that its business rises and falls with the capital-goods industries. Sales and profits have shown no pronounced uptrend since the war. In 1945, sales were \$40-million, profits \$1.6-million. Last year, sales were about \$39-million, profits \$1.5-million.

So far this year, Carborundum's sales have increased sharply. But Carborundum has been looking around for a merger with a company that is strong on consumer products.

MM&M seemed the best bet. This company's second most important product (scotch tape is first) is coated abrasives. It also sells magnetic recording tape, many types of adhesives, and other industrial and consumer products. It knows its way around the consumer field—and has a big advertising budget.

• **The Deal**—Carborundum common stockholders would get two shares of MM&M common (after a forthcoming four-for-one stock split) for each share they hold. There are about 500,000 shares of Carborundum outstanding. The company will lose its corporate identity; but it will still operate as an autonomous division of MM&M under its own name, and presumably under present management.

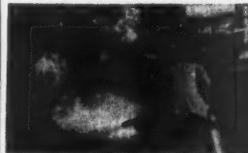
• **Growth**—This merger would mark another step in MM&M's fast growth (BW-Sep. 24'49,p26). The company's sales have swollen from \$5.4-million in 1929 to \$115-million last year, \$110-million in the first nine months of 1950. Earnings have risen from less than \$1.5-million in 1929 to some



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### **FINANCE BRIEFS**

**Mellon merger:** Pittsburgh's Farmers Deposit National Bank will merge with Mellon National Bank & Trust, which has long controlled it. Combined deposits recently totaled almost \$1.5-billion. Merger is likely to make Mellon one of the nation's 10 largest banks; it ranked 14th on Sept. 30.

**Federal tax collections** jumped to \$12.1-billion in first four months of fiscal 1951, some \$332-million above a year ago. Individual income tax collections were \$4.9-billion, up \$145-million.

**Recent storms** have caused some \$6-million of damage to member companies of the Bell System.

**New natural-gas financing** (BW-Nov. 25' p96) is still going strong. Southern Natural Gas Co. will offer 155,546 shares of common to stockholders, sell \$17.5-million of bonds to the public; Texas Eastern Transmission will sell \$78-million 3½% bonds direct to insurance companies, publicly offer 200,000 shares of convertible preferred.

**Stem Bros.**, leading New York department store, has just sold its store to an insurance company and leased property back for 30 years. Net rentals will exceed \$12-million.

**Philco stockholders** O.K.'d a 2-for-1 split-up of their common shares. Earnings on present stock, Wall Streeters think, should run around \$8.50 a share vs. only \$3.17 in 1949.

**More people own homes** than rent

them, says U.S. Savings & Loan League. It figures home-owning families now total over 22-million, nearly twice as many as in 1940.

**An RFC cost slash** is planned by new chairman, W. E. Barber. The aim is to trim \$5-million from RFC's annual operating costs by consolidating some operations and laying off "several hundred" employees.

**Republic National Bank** of Dallas, now battling with local First National for top spot in southwest banking (BW-Feb. 25' p100), has just let the contract for a new \$17.5-million home. This is said to be the largest single building contract in Dallas' history.

**Western Pacific R.R.** will sell \$20-million new 30-year mortgage bonds publicly to fatten working capital and pay off \$16-million outstanding 4% and 4½% issues.

**New life insurance sales** during October were up 38% over last year, according to the Life Insurance Agency Management Assn. For the first 10 months of 1950, they're up 25% over last year.

**Eastern Air Lines** resumed dividends on its common stock, suspended since 1947. The company plans to pay 50¢ a share annually.



### **New IBA Head for 1951**

The Investment Bankers Assn. of America, at their annual convention in Hollywood, Fla., elected Laurence M. Marks as president for next year. Except for service in World War I, Marks has been in the securities business since graduating from Yale in 1914. He left Lee, Higginson & Co. in the depths of the depression to start his own firm of Laurence M. Marks & Co.



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one accident in 1,266,000 man-hours of work. Expressed in another way, it means that, if man's span of life were long enough, an employee could expect to work 700 years without losing any time as the result of an accident.

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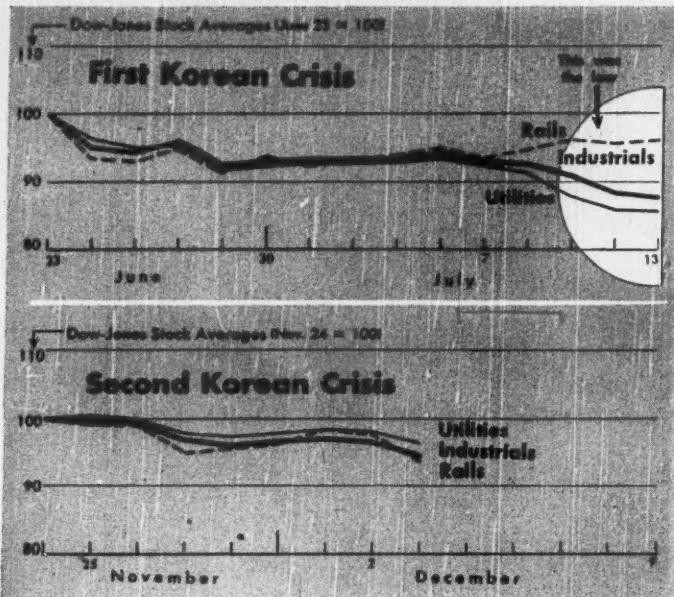
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# THE MARKETS



## Stocks Firm Despite Korea

Market rallies after \$2-million slump. Most Wall Streeters bullish on long-term prospects, though they admit war jitters may cause a temporary sudden drop in coming weeks.

So far, the stock market has behaved pretty well in the new Korean crisis. Though the international outlook is considerably darker than it was last summer, stocks have done better than they did then (charts, above). Although plenty of stocks are now below their pre-Korea level, most are still way above their "Korean lows" (page 87).

• **Selling Reports**—Wall Street has been worried by reports that European investors were selling. Early this week, for instance, a sizable break in prices cut listed stock values by about \$2-million. By midweek the market had rallied strongly, although on reduced volume. It looked as if enough institutional investors—including trustees, investment trusts, and pension funds had come in to prevent a real collapse of stock prices.

There's no telling when Wall Street will get another attack of jitters, of course. Stock prices, in the opinion of many Wall Streeters, may go down a lot further in coming weeks than they are now. But you will find that most market analysts are still bullish over the long-term trend of the market.

Stock prices, according to the reasoning of the long-term bulls, were not overvalued when the market reached its new postwar highs a couple of weeks ago, before the Chinese intervened in Korea.

• **High Yields**—For instance, Moody's index of 125 industrial stocks reached levels around seven times earnings, and yields of about 7% in dividends. This price-earnings ratio is unusually low, and the yield unusually high, when you look back over the years. In past bull markets, stocks have sold 16 or more times earnings, and yields have been as low as 3% to 3½%.

The price-earnings ratio, as kept by Moody's, hasn't been so low since just before the U.S. entered World War I. The average yield hasn't been so high since the early part of World War II. In other words, argue the bulls, investors have already discounted the lower profits and lower dividends that will presumably be caused by higher taxes and more government controls.

But there's another side to this argument. Since the 1946 bull market collapsed, investors have tended to dis-

regard the old doctrine that a stock should normally sell around 10 times earnings. So perhaps you can't judge stock prices by the traditional standards.

A vicious circle has developed. Instead of going to the public for equity capital, corporations have financed post-war expansion out of earnings, because the public has been unresponsive to new stock issues. To do that, they have had to cut their percentage of dividend payout, making the public still more unresponsive and further discouraging the market for new stock issues.

• Further Rise?—Just the same, a lot of Wall Streeters think that over the long

run stock prices will go higher. They believe that:

(1) Low interest rates on government and corporate bonds will force institutional investors—and others, too—to put more cash into common stocks.

(2) Inflation is also going to drive individual investors into common stocks as a hedge against the rising cost of living.

(3) Demand will outrun supply. Corporations aren't likely to issue much new stock. At current high dividend yields, it costs them too much, especially since they can issue bonds at such low interest rates.

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## "Korean Market": A Recent Price Sampling

Industrial Common Stocks	Pre-1950 High	Korean Level	"Korean Low"	Recent Level	Korean Low	Pre-Korean Level
Dow-Jones Average.....	*235.47	224.35	197.46	222.33	+12.6%	- 0.9%
Allied Chemical & Dye.....	\$64.12	\$62.00	\$52.00	\$57.75	+11.1	- 6.9
American Can.....	120.37	114.75	**90.12	94.25	+ 4.6	-17.9
American Smelting & Refining.....	*73.67	54.50	**50.00	67.50	+35.0	+23.9
American Tobacco.....	76.50	68.25	**62.75	64.25	+ 2.4	- 5.9
American Woolen.....	*36.37	26.00	23.12	31.50	+36.2	+21.2
Anaconda Copper.....	*39.25	32.12	28.50	34.50	+21.1	+ 7.4
Bethlehem Steel.....	*48.25	38.00	33.00	43.00	+30.3	+13.2
Chrysler Corp.....	*84.50	80.00	**62.50	65.25	+ 4.4	-18.4
E. I. du Pont Nemours.....	85.37	80.00	65.50	76.62	+17.0	- 4.2
General Electric.....	50.50	49.12	41.25	45.87	+11.2	- 6.6
General Foods.....	51.75	50.37	**44.12	46.25	+ 4.8	- 8.2
General Motors.....	*54.75	48.62	38.25	44.75	+17.0	- 8.0
Gimbels Bros.....	*21.50	18.00	14.12	18.00	+27.5	.....
B. F. Goodrich.....	*128.12	98.75	83.00	118.00	+42.2	+19.3
Gulf Oil.....	*83.00	72.00	62.50	76.62	+22.6	+ 6.4
International Harvester.....	*32.87	28.37	25.12	29.50	+17.4	+ 4.0
Johns-Manville.....	51.50	49.00	**36.50	43.62	+19.5	-11.0
Radio Corp.....	23.25	22.00	14.62	16.62	+13.7	-24.5
Sears, Roebuck & Co.....	*55.00	47.87	**40.00	50.87	+27.2	- 6.3
E. R. Squibb.....	40.00	36.75	**29.50	36.75	+24.6	.....
Standard Oil (N. J.).....	*90.87	78.25	66.62	83.37	+19.8	+ 6.5
Swift & Co.....	*40.62	37.00	**33.50	37.00	+10.4	.....
Union Carbide & Carbon.....	*54.00	49.00	**40.12	50.25	+25.2	+ 2.6
United Fruit.....	*66.75	64.25	**50.25	58.00	+15.4	+ 9.7
Utility Common Stocks						
Dow-Jones Average.....	44.26	43.95	**37.40	39.21	+ 4.8	-10.8
Cleveland Electric Illuminating.....	\$47.50	\$45.37	**38.37	\$40.00	+ 4.2	-11.8
Commonwealth Edison.....	33.12	32.00	**27.50	27.00	- 1.8	-15.6
Consolidated Edison of N. Y.....	33.62	32.75	**26.12	29.00	+11.0	-11.5
Detroit Edison.....	24.00	23.87	**21.37	22.62	+ 5.8	- 5.2
New England Electric System.....	13.12	12.75	**10.25	11.50	+12.2	- 9.8
Pacific Gas & Electric.....	35.75	35.37	**30.50	30.87	+ 1.2	-12.7
Philadelphia Electric.....	27.87	27.00	**22.37	25.25	+ 8.0	- 6.5
Southern California Edison.....	36.75	36.00	**31.25	31.50	+ 0.8	-12.5
Southern Co.....	13.75	12.25	**10.25	10.50	+ 2.4	-14.3
Railroad Common Stocks						
Dow-Jones Average.....	*71.06	55.85	51.24	66.92	+30.6	+19.8
Atchison, Topeka & Santa Fe.....	*\$135.62	\$118.25	\$105.00	\$129.50	+23.3	+ 9.5
Atlantic Coast Line.....	*61.25	46.75	42.00	56.50	+34.5	+20.9
Chesapeake & Ohio.....	*34.75	27.00	**25.00	30.25	+21.0	+12.0
Great Northern (Pfd.).....	*45.37	35.87	**33.00	41.50	+25.8	+15.7
Illinois Central.....	*57.00	41.00	35.62	55.50	+55.8	+35.4
Louisville & Nashville.....	*47.12	37.75	35.00	44.00	+25.7	+16.6
New York Central.....	*18.12	13.50	11.62	15.50	+33.4	+14.8
Pennsylvania.....	*21.00	16.00	**14.50	18.25	+25.9	+14.1
Southern Pacific.....	*62.62	55.75	**49.00	56.62	+15.6	+ 1.6
Southern Railway.....	*46.25	36.75	33.25	42.80	+28.7	+16.5
Union Pacific.....	*100.75	85.12	81.00	94.50	+16.7	+11.0

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# LABOR



1 Union leaders David McDonald, Philip Murray, James G. Thimmes, and Arthur Goldberg handed U.S. Steel a hot potato: Steel workers demanded a big pay boost.



3 Federal wage policies were at stake. Government policy men Alan Valentine, W. Stuart Symington, and Cyrus Ching played behind-the-scenes roles.

## Wage Pattern for Millions

Big Steel's 16¢-an-hour raise will become the final fifth-round figure for many other industries. But in coal, John L. Lewis, as usual, will try to beat Philip Murray's figure next spring.

When U.S. Steel and CIO reached a wage settlement last week (page 26), they set a wage pattern for a million steelworkers—who make everything from heavy tank plate to safety pins.

More than that, they set a pattern to spread out through other industries. Steel's 16¢-an-hour average raise now becomes the final fifth-round figure. Many employers who settled for less will be asked to meet the difference. The Aluminum Co. of America, which

gave 10% (about 14¢ an hour), has already been told that its workers want 2¢ more.

On top of that, Big Steel and its union set a floor under the nation's next important wage demands, due from John L. Lewis' United Mine Workers sometime before April 1. Lewis ordinarily tries to beat the figure that Philip Murray gets in steel.

• **Government**—The steel settlement was reached after consultations with



**2** Big Steel's Benjamin F. Fairless had more worries than just money.



**4** New wage pact safely signed, CIO's Philip Murray and U. S. Steel's John Stephens leave.



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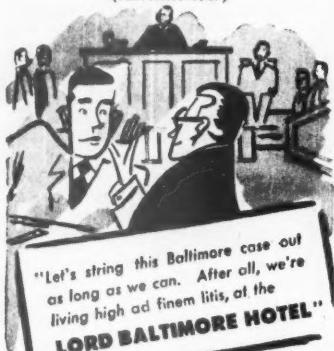


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Next "Clues" Section appears in December 16 issue

government wage-price people in Washington. They assured the corporation and the union "unofficially" that controls wouldn't upset a wage rise, provided the resulting steel price boost stayed within about 5%.

The agreement that followed raised wages 12½¢ to 28¢ an hour for U.S. Steel's 165,000 production workers. Employees in the lowest job classification (janitors and sweepers) get the 12½¢ raise, from \$1.18½ to \$1.31 an hour. U.S. Steel agreed to boost the differential between job brackets (there are 32 in the steel industry) from 4½¢ to 5¢. By the time a pyramid of half-cent boosts reaches the top job classification, the total raise is 28¢ an hour.

The increase is the first for steelworkers since 1948. Last year, they settled for employer-paid pensions and insurance after a 42-day strike.

• **No Fringes**—The CIO's steel union had also asked for "fringe" wage concessions in addition to an across-the-board hike. It didn't get any fringes.

But it did win a point on another demand. The differential between rates for the same job in northern and southern mills has long been a sore point for Big Steel workers. Those employed in Birmingham by the subsidiary Tennessee Coal, Iron & Railroad Co. collected 14½¢ less per hour than Pittsburgh and Youngstown steelworkers. The union demanded that U.S. Steel wipe out this "unjust" geographical differential.

The settlement cuts the differential 4½¢, to 10¢ an hour.

• **Other Issues**—Noneconomic issues—such as pension-plan changes, increased insurance coverage, and the union shop—couldn't be brought up officially during 1950 bargaining; it was limited by contract to wage discussions. They nudged their way into negotiations anyway, but only briefly.

It happened this way: U.S. Steel wanted the present contract extended a year, to Dec. 31, 1952. The union agreed, provided the corporation would take up pension, insurance, and other issues this year. U.S. Steel balked at that, dropped its extension demand.

That means the entire contract will come up for renegotiation at the end of 1951. Until then, the present agreement bars strikes in the steel industry.

• **Union Shop**—The union may try to bring up the union-shop issue again before that. Murray, in explaining that the steelworkers hadn't insisted on a union shop, said: The corporation, under the law, "has a continuing obligation to bargain with us on that issue."

Murray says NLRB has held that a company must bargain at any time on any issue not already covered in its contract. So after steel union-shop poll results are certified by NLRB, he contends, the union can bring up the is-

sue—and Big Steel must bargain on it. The argument overlooks this fact: Union security is already covered in the steel contract, which has a maintenance-of-membership clause. This might bar any more talk of the union shop before next contract bargaining.

### I. Through the Industry

Other steel settlements came thick and fast after the announcement of the U.S. Steel-CIO agreement. The unionized companies followed the 16¢ average pattern. The only variants appeared in new terms at the two large non-CIO mills: Armco Steel Corp., Middletown, Ohio, and Weirton Steel Co., Weirton, W. Va., and Steubenville, Ohio.

Armco and the Armco Employees Independent Federation announced an agreement on raises ranging from 13¢ an hour in the lowest classification to 33¢ in the highest.

Weirton and the new Independent Steelworkers Union announced a settlement providing a 15¢ across-the-board increase and a half-cent boost in the differential between new job classifications. The top raise is 30¢ an hour.

Armco and Weirton customarily go a little higher than wage-raise patterns worked out in CIO settlements.

### IUE Now on Its Own With 250,000 Members

CIO's fledgling International Union of Electrical Workers took stock of its one-year gains at a convention in Milwaukee this week—then cockily began planning a "clean-up" drive against the leftist United Electrical Workers (ex-CIO).

IUE got its charter from CIO on Nov. 2, 1949, after CIO expelled UE for following a Communist party-line policy. A big fight for electrical workers got under way (BW—Nov. 19 '50, p.110), with CIO tossing in some strong manpower and more than \$750,000 in cash.

• **Self-Supporting**—Now IUE claims (1) membership of 251,000 in plants employing more than 300,000 persons; and (2) NLRB election victories, during the past year, covering "the majority of workers in the electrical manufacturing, radio, and machine industries." It also says that after months of living off CIO's treasury, it's now self-supporting.

IUE's plans for the future include a continuing drive on its rival's members. The CIO electrical workers' union estimates UE's membership now at "approximately" 100,000; UE reported a membership of "well over 300,000" at its annual convention three months ago (BW—Sep. 30 '50, p.111).

## Suit Over Dues

Employee wins \$5,000 damages from union because it refuses to let him pay back dues and keep his job.

Clarence W. A. Howland, 61-year-old tool-crib attendant at Budd Co.'s Detroit plant, may collect \$5,000 because his union refused to accept a check for membership dues. Whether he does or not depends on the outcome of an appeal by the United Auto Workers (CIO) from a recent Michigan state court decision.

• "Tribute to Thieves"—Howland went to work at Budd late in 1946. He joined UAW in mid-1947, but got behind in his dues shortly thereafter. Under union pressure, he tendered a check for \$5 to the UAW local three months later. But he wrote on back, where UAW's endorsement would go: "This is a tribute to thieves, brigands, and robbers." The local secretary refused to endorse such sentiments, returned the check.

Subsequently, Howland sent in a cashier's check, pure and uncomplaining, for the full amount he owed the local, plus a month's advance dues. The local refused this one, too. It explained that it had found out that Howland formerly had belonged to another UAW local, had fallen into bad standing with it, and had never cleared up his obligations.

• Out of a Job—Howland lost his job with Budd in December, 1947, after the union notified Budd that he hadn't kept up his membership as required under the Budd-UAW contract. He first tried to get a reinstatement order from the National Labor Relations Board, but got turned down. So in March, 1948, he took his case into Michigan courts.

• Court Action—He filed damage suits against the union and three officers, asking \$3,500 in back wages and \$5,000 in punitive damages. Recently after more than two years of complex court actions, he got a judgment for \$5,000 in damages.

The court held that the union's refusal of the first check—with its derogatory comment—was all right. But it ruled that the union couldn't legally refuse the second check. It held that when Howland left the company where he had originally fallen behind in dues payments, his association with UAW ended. He couldn't still be held accountable for the uncollected dues when he joined UAW a second time at Budd. So the tender of the Budd local's dues was enough to restore his good standing with the union.

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## Leftist Labor Alliance

Eight unions, ousted by CIO for Communist-line activity, lay groundwork for third group. But Harry Bridges, the leader, says the outfit won't be formed officially just yet.

Seed of a third labor federation was sown in Washington last week by eight unions that had been ousted from CIO for Communist-line activities. Right now, chances are against its ever sprouting into a live and thriving union body. But labor's extreme leftists plan to nurse it along tenderly, anyway. They want it to be ready for any favorable turn in the nation's political and economic climate.

• **Unity Meeting**—Some 800 delegates from the former CIO unions attended a "unity" conference called by Harry Bridges, president of the International Longshoremen's & Warehousemen's Union.

They represented a claimed 300,000 to 400,000 members. This includes: ILWU; United Electrical Workers (with its Farm Equipment Workers division); Fur & Leather Workers; United Public Workers; American Communications Workers; Mine, Mill & Smelter Workers; Distributive, Processing & Office Workers (BW-Oct. 14'50, p116); and Marine Cooks & Stewards.

Bridges told the delegates they hadn't been called together to form a third labor federation at this time. They were assembled, he said, only to set up a "working alliance, an informal apparatus" to work for a mutual 10-point economic and legislative program.

Other leaders stressed the same theme of "no third labor federation now"—but the idea of a new federation was in the back of most minds. Delegates generally agreed that the only reason their leaders hadn't called for a formal organization was either that it isn't expedient right now—because of the growing anti-Communist sentiment—or that one isn't really needed because the unions ousted from CIO are pretty well bound together by ideological ties.

• **The Door's Open**—Just the same, the extreme leftists clearly left the way open for a federation later. They want a further alliance in the future with "some trade unions outside of this group who . . . adhere to the principles of trade unionism."

Bridges amplified this statement later, in a bid for support from "other independent trade unions"—including John L. Lewis' strong, anti-Communist United Mine Workers.

• **Present Plans**—At first, the new "working alliance" will operate informally. Joseph Selly, president of the American Communications Workers, is its temporary chairman, although

Bridges unquestionably is the guiding hand.

Executive boards of the eight unions in the alliance will meet soon to plan actual collaboration.

• **Objectives**—Currently, the alliance is interested in "fighting for limited mutual objectives." These don't include, as far as the public is told, the unpopular Communist-line foreign-policy position of extreme leftists.

Last week's conference carefully avoided any denunciations of U.S. policies in Europe and Korea—although speakers did stress "the desire for peace among the masses."

Claimed objectives of the leftists include:

- A rollback of prices to pre-Korea levels and price and rent controls.
- Wage boosts and no wage freeze.
- A hefty excess-profits tax and a cut in taxes for low-income groups.

• Repeal of the McCarran antisubversive law.

• Repeal of the Taft-Hartley act.

• Repeal of the Magnuson law,

which requires a careful screening of

waterfront workers.

• A fair-employment-practices act.

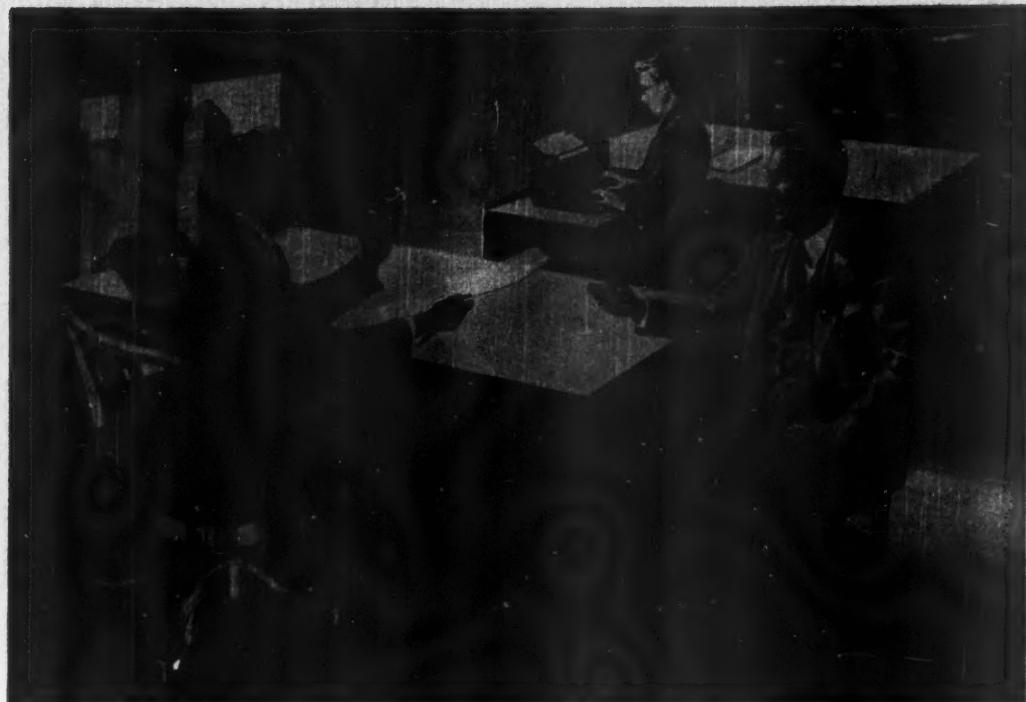
The alliance plans a drive to get 1-million signatures on petitions endorsing this program.

• **Real Objectives**—Most of these objectives are shared with unions in AFL and CIO. It's hardly likely that the leftists would go to the trouble and expense of setting up conferences just to echo the aggressive sentiments already expressed by unions further to the right.

So the leftists' true reasons for the new unity moves are probably defensive. They discussed plans to defend "framed-up victims of today's antilabor drive"—including Bridges (described by speakers as "the most persecuted labor leader in the world today"). And they also laid plans for "mutual aid" of unions faced with raids from AFL and CIO.

• **On Local Levels**—Even in advance of last week's conference, left-wing unionists were getting together on local levels. Delegates from 20 local unions in New York City formed a United Labor Conference for Mutual Aid two weeks ago. Their goal: "to revitalize and resurrect the militant traditions of the American labor movement."

Similar groups have been set up—or are being set up—in Philadelphia, Chicago, San Francisco, and Los Angeles.



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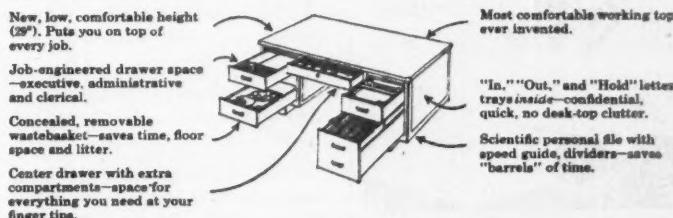
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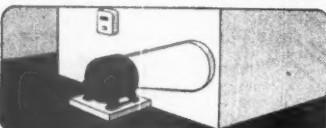
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## How to Pay Servants' Tax

Social security now covers all "regular" domestics. It's up to the employer to pay half of the 3% levy, and either to collect the other half from the worker or absorb it himself.

If you have been lucky enough to keep a cook, the chances are that your wife has already asked you what she is supposed to do about the new social-security tax on household workers. If she hasn't, she soon will. Payments of the tax are supposed to begin with the first quarter of next year.

To clear up some of the problems, here is a series of questions and answers obtained from the Social Security Administration and the Bureau of Internal Revenue:

**Q.** What household workers are eligible for social security?

**A.** Maids, laundresses, housekeepers, cooks, nursemaids, gardeners, handymen, butlers, footmen, chauffeurs (of privately owned cars), practical nurses, and others. (Household workers on a farm are covered by a different part of the law.)

**Q.** Does that include my relatives?

**A.** Yes, but not your child under 21 or your parent.

**Q.** Otherwise, are all my household workers covered?

**A.** No. You must employ her (or him) "regularly." That means she must meet two tests: (1) She must work for you—time worked for other people doesn't count—on at least 24 different days during the calendar quarter or the previous calendar quarter. That's about two days a week. (2) You must pay her at least \$50 during the quarter in which she works on 24 days.

**Q.** Must she work 24 full days?

**A.** No. Any part of a day counts.

**Q.** And if she doesn't meet the tests during one quarter, I must still pay the tax if she qualified during the previous quarter?

**A.** That's right.

**Q.** When must I pay the tax?

**A.** In the month following each calendar quarter: April, July, October, and January.

**Q.** How much is the tax?

**A.** It is 3% of the cash wages paid. That includes such things as bus or taxi fare if you reimburse the domestic in cash. But you do not include bus tokens or tickets, or meals and lodging.

**Q.** Do I pay all the tax?

**A.** No. Half of it—1½%—is supposed to be deducted from the employee's wages. But it is your responsibility to send the government the full amount.

**Q.** May I absorb my domestic's share, paying the full amount myself?

**A.** Yes. The law, in fact, encourages this. You don't have to add the 1½%

you absorb to the wages in computing the tax. But the employee must count it as part of wages for income tax payments.

**Q.** Where do I send the tax?

**A.** To the nearest office of the Collector of Internal Revenue, the same place you send your income tax.

**Q.** How do I pay the tax?

**A.** The government has prepared a new form specifically for these payments. It is Form 942: "Employer's quarterly tax return for household employee."

**Q.** How do I get these forms?

**A.** At local offices of the Commissioner of Internal Revenue and Social Security Administration, and in many post offices. The government would like you to send your name to the Collector of Internal Revenue in your district. He will send you a booklet called "Do You Have a Maid?". The booklet explains the rules in simple terms. It also contains a postpaid return post card, which you can send in to be placed on a mailing list to receive the forms and further information regularly.

**Q.** Will it explain how to fill out the form?

**A.** This booklet won't. But a pamphlet is being prepared (Circular H—Household Employer's Social Security Tax Guide) that will. It will also contain a tax deduction table so you won't have to compute the 1½% yourself.

**Q.** How can I get this?

**A.** If you send your name in to the Collector of Internal Revenue, it will be sent to you automatically. Otherwise, it will be available from social security and Internal Revenue offices.

**Q.** I have employees in my business for whom I pay the social-security tax quarterly. Can I add the household help to that same return?

**A.** By all means, yes. And use the same form you have been using: Form 941.

**Q.** On how much of the wages must I pay the tax?

**A.** On the first \$3,600 of the calendar year.

**Q.** Can I make allowance for what my domestic may earn from others?

**A.** No. She may get a refund if she pays on more than \$3,600 because of earnings from more than one employer. But you can't.

**Q.** Does my help have to have a social-security card?

**A.** Yes. If she has never had a card, she should get one from the social-

security office. If there is none in your city, she should get an application from the post office and mail it to the social-security office.

Q. Suppose she has lost her card?

A. She should get a copy from the social-security office.

Q. Why should I be concerned about the card?

A. Because you have to put the social-security number on the return.

Q. What if I don't pay the tax or make a late return?

A. There is a "delinquency" penalty up to 25% of the tax for late returns. And general penalties, for evasion under the regular tax law, run up to \$10,000 fine and five years imprisonment.

Q. Do I have to pay tax for an employee who has passed the retirement age of 65?

A. Yes, until she retires and claims benefits.

Q. Briefly, what are the benefits?

A. There are retirement benefits, lump-sum payments on death, and monthly payments for dependent survivors. For a worker who qualifies for a retirement benefit, it amounts to a minimum of \$20 a month.

Q. How much is the individual benefit above the minimum?

A. It is based on the average monthly wages from jobs covered by social security. If the average is \$100 a month or less, the benefit will be half of the average wages. If it is more, the benefit will be \$50 plus 15% of the wages above \$100, up to \$300 in average wages. There are additional benefits for wives and dependent children.

## Strike Levy Swells Kitty

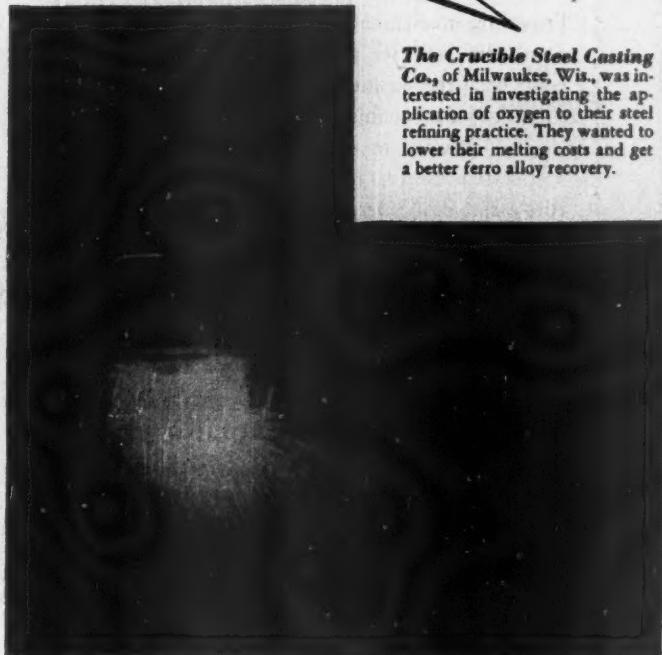
The United Auto Workers is now in the healthiest financial condition of its 15-year history. Its flush treasury—one of CIO's biggest—is largely a result of a \$1-a-month strike assessment levied on members for 12 weeks last winter.

Recent reports to the UAW executive board showed liquid assets totaling \$7,023,502, as of July 31. Four months earlier, the total was \$2,485,786. Secretary-treasurer Emil Mazey credited the jump of more than \$4.5-million almost entirely to the strike levy.

The union ordered the assessment during the long, hard Chrysler strike early this year. More than 500,000 members anted up \$6.5-million under the levy. UAW spent \$2-million for strike relief, has the rest in its reserves.

The Pictures—Acme—Cover, 88 (lower center), 106; Wide World—58 (left), 88 (top), 89; Harris & Ewing—58 (rt.), 88 (lower left); International News—88 (lower left).

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## EMPLOYMENT LOW?

## Master Contract For U.S. and Canada

Electric Auto-Lite Co. and the United Auto Workers (CIO) have just put into effect one of the first international contracts between a major employer and union. It covers 17,000 UAW workers in 19 Auto-Lite plants in this country and Canada.

Most employers and unions make separate deals for plants across an international boundary. Usually they say that this is necessary to allow for different conditions of employment and different sets of laws.

• One Package—Separate contracts usually mean two sets of negotiations. UAW and Auto-Lite decided to get away from that this year. They wrapped their whole deal up in one package, at one time.

The main problem was to get a contract that would comply with the different labor laws in this country and Canada. Lawyers worked out an agreement under which the same general provisions apply to all plants, no matter where they are. The one big difference is in wage and pension clauses.

Canadian workers got a raise that was 7.3¢ an hour more than that in this country: 6¢ of it in lieu of a pension plan set up for U.S. workers, dovetailing into this country's social-security plan; the other 1.3¢ to end what UAW claimed was an inequity in wages paid Canadian workers.

## LABOR BRIEFS

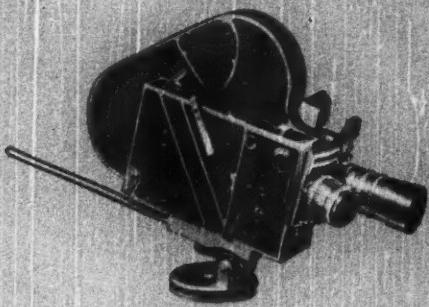
New contract between the Texas Co. and CIO's oil workers ended post-strike tension at Texaco's Port Arthur (Tex.) refinery. Pact compromises issues disputed in a 115-day strike last summer. It also gives a 12¢ wage hike, retroactive to Sept. 18, when the strike was called off for further bargaining.

It's discrimination under T-H if a union hikes initiation fees for company employees who once refused to join the union, then applied for membership when a union-shop pact went into effect. An NLRB examiner so ruled in a case brought against UAW (CIO) at the Ferro Stamping & Mfg. Co., Mt. Pleasant, Mich.

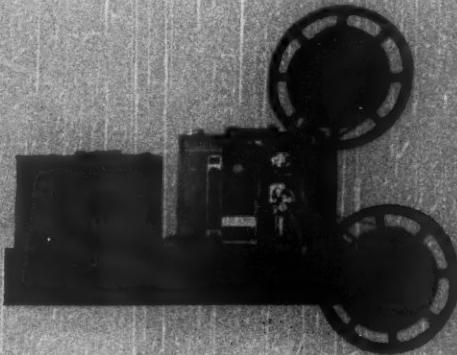
A drafted apprentice may mean future work and confusion for employers who don't (1) ask the Bureau of Apprenticeship, Washington, to suspend the apprenticeship agreement due to "entry into the armed forces"; and (2) give the apprentice a certified copy of his work record, including his length of service.

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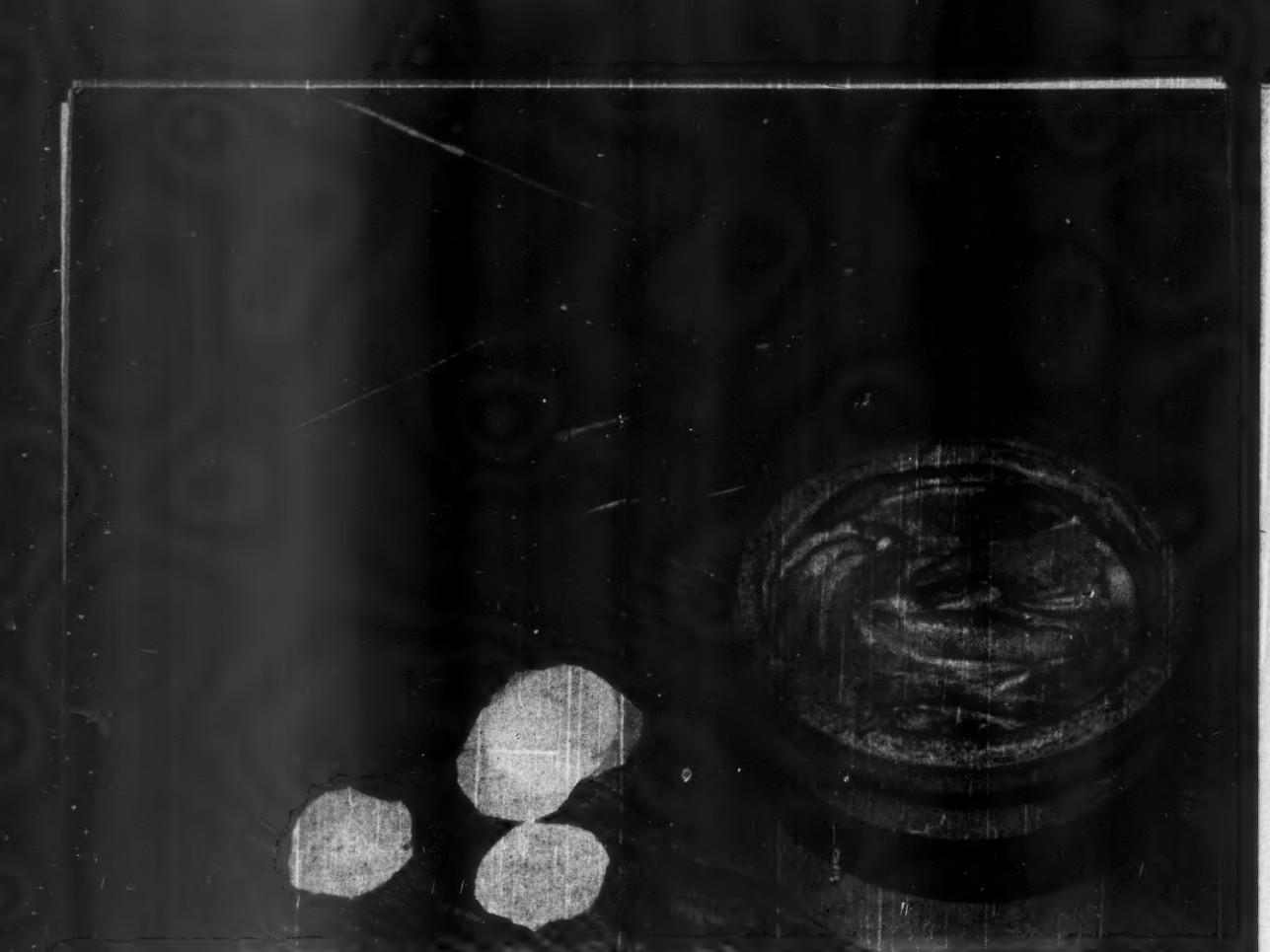
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Union Oil Co. of California

\*Source: Publishers' Information Bureau Analysis

A McGRAW-HILL PUBLICATION

# INTERNATIONAL OUTLOOK

BUSINESS WEEK

DECEMBER 9, 1950

The defense of Europe, not Asia, was the big topic in the Truman-Attlee talks.

Washington and London fear that Red successes in Asia will unhinge the North Atlantic alliance.

To prevent this, Truman is ordering faster mobilization of U. S. manpower and industry (page 19). Washington and London also will rush plans for a North Atlantic army.

And Attlee apparently is ready to send two or three British armored divisions to West Germany right away.

U. N. forces are in a bad way in Korea. The French may soon be in the same fix in Indo-China.

But no Asian Munich is in prospect. Attlee agrees with Truman on that.

True, we and our allies may have to retreat on far-flung fronts. But such pull-backs will be made only to strengthen our over-all positions against Stalin—not to buy him off.

Meanwhile, estimates of the Western position on the whole Asian mainland are gloomy. You hear in Washington that—in addition to Korea and Indo-China—Burma, Thailand, and even Malaya are shaky. Communist China may have the military power to push the West out of there.

If Washington's no-appeasement policy is to work, the important thing is to build up U. S. and European strength.

Some room for diplomatic maneuvering will be left, though.

For example, Washington is willing to have Britain and India dicker with the Chinese Reds for an acceptable Korean settlement—though U. S. officials don't see any prospects of success. (Peiping's ambitions have grown in recent weeks. Mao's latest demand is for a hand in the future of Japan.)

More important, Washington won't oppose high-level talks with Moscow.

Such conferences might give a clue to Stalin's timetable. Also, they might prove how much the A-bomb still checks Soviet plans. That's why Churchill, for one, thinks the West should talk things over with Moscow.

The Asian crisis is forcing French concessions on German rearmament.

Paris now is ready to scrap its plan for a separate European army. Instead, the French will O.K. integrating German units into an Atlantic force.

The present plan is to recruit German regimental combat teams. The equivalent of 10 divisions would be formed within three years. A special high commissioner would do the recruiting job in West Germany.

The problem is whether the West Germans will buy this idea. It's a safe bet they won't—unless the U. S. and British jointly add at least 10 divisions to their forces in West Germany by next summer.

Western Europe's rearmament program is still slow-motion.

The French have yet to come up with something tangible. The British have set the ball rolling, but Washington feels their program is on much too small a scale.

Unless Europe acts quickly, the \$4-billion-plus arms-aid kitty won't nearly be spent by the time the next request goes to Congress. The Administration plans to ask for \$5-billion more early in 1951, but Congress is likely to balk if this year's money is still unused.

# INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK  
DECEMBER 9, 1950

There won't be any international allocation of raw materials until price controls are clamped on in the U. S.

Raw-material-producing countries are adamant on this point. They won't accept allocation schemes involving price ceilings on the products they sell, until the goods they want to buy in the U. S. are price-controlled, too.

\*  
Europeans say U. S. stockpiling is sheer murder for them.

They are warning the State Dept. that the joint rearmament program will suffer unless they can get raw materials—cheap. They claim U. S. stockpiling has unnecessarily upped prices and caused shortages.

Raw-material prices mean life or death to many European industries. They often operate on tighter margins than industries in the U. S.

European delegates will press their point at the international commodity discussions this week in Washington. They'll try to persuade the U. S. to cut back its stockpiling.

\*  
The State Dept. now concedes that the U. S. may have bought up more raw materials than it should.

But State points out that the official stockpiling program isn't completely to blame. The lure of the big, high-cost U. S. market—plus payment in dollars—is the main reason why commodity producers have given Europeans short shrift.

Until international allocations go into effect, the U. S. may subsidize Western Europe's raw-material imports. ECA or military-aid funds will probably be used.

\*  
International tension has brought some changes in the political climate of Britain and France.

In Britain, foreign policy now is fully bipartisan; the only real opposition to Attlee and Bevin comes from the Labor left. Some observers foresee a coalition government in London within six months.

In France, the Pleven government still has Assembly backing. But Pleven is due for trouble when next year's budget comes up soon. He will ask for almost 200-billion francs more in taxes.

\*  
The bureaucrats and the mining experts have been rowing again in Britain's National Coal Board. As a result, the NCB has lost its last top-ranking engineer.

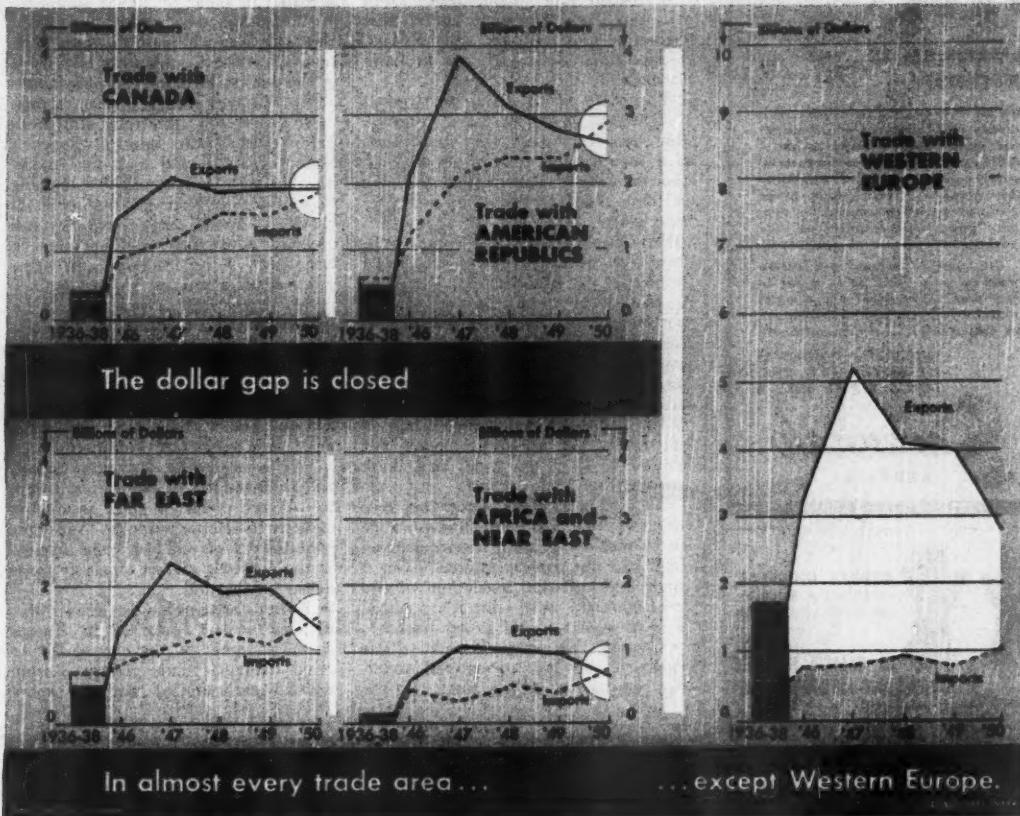
The story is this: From the start the engineers taken over from private industry have fought central control. They argue that the NCB's failure to produce more coal is largely due to lack of authority by the local mine manager.

The Labor government previously made the same kind of mistake in the nationalized transport system. But now it's trying to avoid a third scene in steel. The national steel corporation will ask the steel industry to carry on as is—decentralized.

\*  
British defense production doesn't measure up to Washington's hopes—but it's expanding faster than Britons expected.

Industrial activity has already outrun coal and electricity supplies. And there's a growing list of other materials shortages (BW-Dec. 2'50, p116). An early hard winter makes a fuel crisis almost inevitable by February.

# BUSINESS ABROAD



## U. S. Strikes a New Trade Balance

For first time in 13 years, it has an import surplus. Triangle trade pattern returns. Europe alone stands to keep deficit.

Even before the Chinese onslaught in Korea, most government economists had decided the world dollar shortage was about over. Red China's intervention now makes the end all the more certain.

As the U. S. steps up its arms drive, the dollar-gap problem will vanish. If a general war comes, the problem becomes academic, at best.

• Import Surplus—A shift in the world's trade pattern had already shown up strongly in third-quarter results. For the first time since 1937, the U. S. imported more than it exported. The July-September quarter built up an import surplus of over \$100-million.

Another thing happened: The prewar pattern of triangular trade came back

—at least temporarily. Instead of getting dollars only by selling direct to the U. S., Europe can now get them by selling to third parties who have a surplus. Latin America, the Far East, and Africa and the Near East sold more to the U. S. than they bought. This gave Western Europe a chance to earn dollars from its exports to these regions and thus offset its trade deficit with the U. S.

• What Did It?—Behind the shift in the U. S. trade balance are two significant facts:

• The change from a surplus to a deficit was about three-quarters due to a slump in our exports. Only one-quarter of it stemmed from an increase in imports.

• More than half of the rise in third-quarter imports was due to heavier U. S. buying in Latin America. Only about 15% came from higher purchases in Western Europe.

The drop in U. S. exports had begun to narrow the dollar gap long before the Korean crisis. There were several things that led to the dip: (1) industrial recovery in Western Europe; (2) the price advantage that currency devaluations gave European goods; (3) severe curbs on dollar imports; and (4) the big attraction of the home market for U. S. manufacturers.

• Triangle—The rise in U. S. imports since Korea has helped to narrow the dollar gap, of course. But perhaps the biggest result of higher U. S. imports has been to restore in part the multilateral or "triangular" trade pattern.

For instance, one result of Latin America's trade surplus with the U. S.



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has been a chance for Europeans to earn dollars South of the Rio Grande. Figures aren't available yet for third-quarter trade between Europe and Latin America. But there's no doubt that European countries, especially Britain, boosted their dollar earnings in Latin America.

Europeans aren't selling their goods directly for dollars in Latin America. But they have payments agreements that require settlements from time to time in dollars. Thus if they sell more to these countries than they buy, they earn dollars.

• **No Change**—As far as our trade goes, experts see nothing in the months ahead to change the new balance. If enough goods can be found abroad, our imports may rise even more in the next three or four years. At the same time, exports—excluding shipments under the arms-aid program—are likely to be much higher and possibly may be lower. With consumer purchasing rising in the U.S., the domestic market will sop up most of the goods that don't go into the defense effort.

Thus developments within our own economy will keep our foreign trade in balance—by keeping import demand high and our exports limited. Even if trade and currency restrictions abroad were removed next year, it's doubtful if U.S. exports would go up much.

• **Canada, Too**—For Canada, Latin America, and the raw-material-producing countries of Africa, there's no rea-

son to expect much change either. These areas should be able either to balance their trade with the U.S. or continue to build up dollar surpluses. For them the dollar shortage is over. Southeast Asia will be in the same position unless the Communists take over.

• **Trouble for Europe**—The uncertainty lies in Western Europe. True, rearmament won't really get going until mid-1951. During the interval, Europe's trade balance should continue to improve. ERP countries ought to be able to sell more of their goods directly to the U.S. At the same time, they will probably boost their dollar earnings in trade with Latin America and other raw-material-producing regions.

But if the ERP countries go in for mass rearmament, dollar deficits certainly will show up again. Arms aid won't make up the difference. Europe will need much larger imports of both dollar and nondollar raw materials; it will also have to have American equipment to manufacture munitions.

At the same time, European exports will probably fall. Countries will have to convert much of their productive capacity to defense purposes. And some potential exports will have to be diverted to the domestic market to satisfy rising consumer demand.

• **Pattern Scrapped**—One result of a big rearmament program in Europe would probably be the end of the revived triangular trade pattern. Europe will have only limited goods for export,



## Foreign Salesmen Welcomed Home

Electric Auto-Lite Co., maker of automotive electrical equipment, takes good care of its foreign distributors. Well it might. Over the past eight years Auto-Lite's overseas salesmen have boosted the company's export business 700%, with sales this year coming close to \$4-million. (The company's total sales will run over \$200-million.)

Last week, Auto-Lite staged its second, biannual Overseas Day; 50 Auto-Lite distributors from 27 different countries showed up at New York's Plaza Hotel to wine, dine, and exchange ideas with the company's top management men. In the picture above, Auto-Lite's executive vice-president, D. H. Kelly, has the floor.



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while demand for raw materials is going up. Thus it can hardly have trade surpluses with raw-material producers. And that means an end to dollar earnings in Latin America.

Britain, in fact, could get in real trouble with the rest of the sterling area if it goes all out for rearmament. Dollar earnings from the sale of Malayan rubber and tin, Australian wool, Rhodesian copper, and West African cocoa have skyrocketed in the last six months. This has been due partly to bigger shipments and partly to higher prices.

Sales of these goods will certainly remain high and may even rise. If Britain can't supply their import demands, some of these sterling countries may decide to abandon their curbs on dollar imports in order to soak up inflationary buying power. By spending their dollars directly, rather than turning them over to the Bank of England, these countries could weaken the ties that hold the sterling area together.

• Allocations—One thing that would lessen the strains on the sterling area would be international allocation and price control of tight raw materials. But though control arrangements would check the dollar earnings of the raw-material producers, they would not change the basic situation much.

Thus the triangular earning of dollars by the ERP countries, particularly in Latin America, isn't likely to continue beyond next spring. And that means that the Western European countries will need and probably will get continued American economic aid—apart from arms aid.

## Mr. Ford— Meet Shamshenkov

Russian contributions to the science and culture of the West grow more impressive every day—thanks to skillful Kremlin public relations men who sit up all night rewriting history. One of the more recent Soviet claims involves the automobile.

The latest edition of the Great Soviet Encyclopedia carries the following item, under the heading "Automobile":

In 1751 or 1752, a peasant by the name of L. Shamshenkov, living in the Nishny Gorod district, produced a very interesting invention along the lines of the automobile. He constructed the first automotive carriage.

Literally translated, the Russian word for automotive comes out in English as "self-running." And Inventor Shamshenkov's vehicle was certainly that. Since the Russians had not yet gotten around to inventing the gasoline engine, the encyclopedia points out that the carriage was propelled by two peasants, running inside it.

## BUSINESS ABROAD BRIEFS

**Pipeline news:** The first oil through the Trans-Arabian pipeline—731,000-bbl. of it—was loaded on tankers at Sidon, Lebanon, last week. . . . The new Alberta-Lake Superior line delivered its first barrel of crude at Superior, Wis., early this week.

**Puerto Rico will build a \$1-million cigar factory for Consolidated Cigar Corp., New York.** Consolidated will rent with an option to buy from the island's Economic Development Administration (BW—Nov. 4'50, p142).

**Communist copper:** Traders say that some of the copper sent to Red China was sold originally to Chinese Nationalists. The Nationalist mission in Tokyo got the copper as reparations from Japan, sold it to Peiping via two U.S. exporters.

**Revlon Products Corp.** opened a new cosmetics plant near Cardiff, Wales. It's Revlon's first manufacturing operation abroad. The company plans to have a French plant, too, before long.

**Brazil's second big refinery** will get under way next year as part of the SALTE development plan (BW—Jun. 24'50, p113). The country's first major oil refinery, with a 45,000-bbl. daily capacity, is under construction near Santos. French manufacturers will supply equipment for both projects.

**Ford of Canada** will build a \$1-million parts and accessories depot in Montreal. Other distribution points are in the works at Windsor and Winnipeg.

**Cowboy and gangster movies** will be banned in Indonesia, upsetting U.S. film companies' bookings there for 1951. With roughly 300,000 Indonesian youngsters still in possession of guns and ammunition, the government regards Hollywood blood-and-thunder as a bad influence.

**Two French Banks** have set up a New York company—called CITÉR, Inc.—to promote trade, work out licensing and manufacturing partnerships between U.S. and French businessmen.

**Tires and tubes** will be made in Israel by General Tire & Rubber Co., starting late in 1951. U.S. and Israeli private investors are helping General finance the operation.

**Canadians can chill their highballs** at the corner gas station now. A Toronto dealer has installed an ice-cube vending machine at his filling station to rescue late-party-givers who are out of ice.

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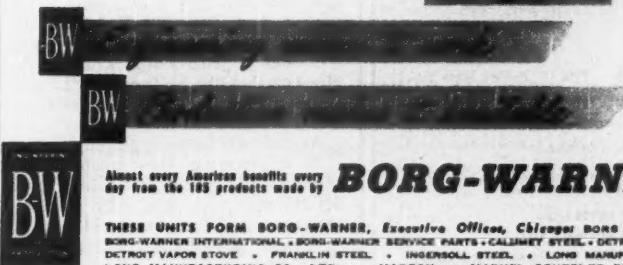
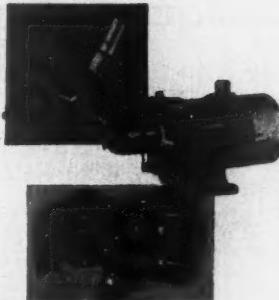
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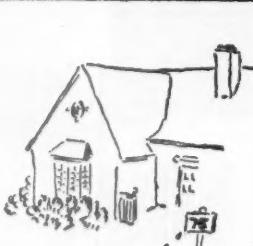
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## Stakes in the Gamble on Tito?

His country is famine-stricken, discontented. Question is: If U. S. pours in money and weapons, will the Balkan dictator be able to make his 500,000-man "Communist" army fight for the West?

The lame-duck Congress faces a gamblers choice on Tito's Yugoslavia. The prize: the second-largest army in Europe. The wager: \$105-million in food credits now, a lot more for munitions later. The risk: Even with help, Tito may be unable to line up his country firmly on the side of the West.

• Food Credits—So far, Tito has asked for \$105-million in food credits. President Truman has put this on the congressional must list, has already diverted some Atlantic Pact and ECA funds to Tito for stopgap aid. This week, Congress is debating a \$38-million emergency bill. And it's almost certain that Tito will get his food money.

That's a lot more than the dabs and dabs the U. S. has thrown Tito up to now, but it is only a beginning. The hard fact is that it will take many times \$38-million—or even \$200-million—to hold Yugoslavia as a serious military factor in the Balkans. Tanks and planes will have to follow the shipments of beans and flour.

As the calls for help get bigger, the U. S. must decide: How much should be bet on the gamble that Tito's tough 500,000-man army, plus a like number of reserves, will fight for the West?

• Wobbly Ally—Right now, Yugoslavia stacks up as a doubtful ally in all but Tito's bitter opposition to Stalin. The country is split and torn—drought, iso-

lation, and sheer business mismanagement have brought economic and political troubles that are shaking Tito's dictatorship. Some observers even question Tito's ability to rally his people solidly if Moscow's legions start rolling.

Because of these weaknesses, the U. S. could make a case for leaving Tito to stew in his own juice. There's no danger that he'll sell out to Moscow. The split in the Communist world is so deep and bitter now that the Kremlin plans to destroy Tito personally if it does nothing else.

But Tito's regime could decompose completely, falling to the Soviets like a rotten apple. With it would go 32 tough divisions. Also, the West would lose the opportunity to weld a Yugoslav-Greek-Turkish military alliance that would be a high barricade against Russian expansion into the Eastern Mediterranean.

• Links to West—Meanwhile, Tito is doing his best to make sure he's not neglected. More and more he is aligning Yugoslavia with the West, preparing the groundwork for all-out military partnership. Gone by the boards is Tito's original scheme to exploit the differences between the West and the Cominform. Now Tito is being kind to his neighbors in Greece and Italy, voting with the West in the U. N.

But it's going to take a lot of outside

aid to right the domestic situation in Yugoslavia. President Truman said in his "must" message to Congress that there was grave danger that Tito might not be able to control the subversive elements at home. That's an understatement. Besides the ever-present Stalin spies and angry peasants, Tito now has a large part of the party bureaucracy and city folk up in arms.

**Heavy Exports**—And last summer's drought was only part of the trouble. In order to further his dreams of Yugoslav industrialization, Tito exported so much food that state reserves were dangerously low before the dry spell hit. That meant unbearably high quotas for the peasants to fulfill—and the peasants reacted by holding back their crops and slowing down seeding. In turn, the lack of food created shortages of consumer goods—and inflation went spiraling in Yugoslav cities (BW—Aug. 12'50, p105).

Tito had crisis measures ready, of course. He cut the industrial budget way back, slashed imports to the bone. Exports of food products were just about stopped. Then Tito got tough with Yugoslavia's big bureaucracy, taking away from party members and civil servants their privileged position in the purchase of consumer goods.

Breaches of discipline, theft of food from state warehouses, resignations from government service began. Worse yet, the unhappy bureaucrats joined up with the peasants, becoming themselves the peasants' mouthpiece, fanning widespread defeatism.

**Economic**—Tito handled the situation in typical dictator fashion—branding the new opposition as traitorous Cominform agents, throwing some bigwigs out of the party completely. But actually the beef is more economic than political. The feeling of the opposition is that any country storekeeper could direct Yugoslavia's economy better than Belgrade. It pointed out, for instance, that the export price of Yugoslav lumber is one-twentieth its production cost; that Yugoslav fats and lard cost six times as much to produce as they do in any other fat-exporting country.

There's some political opposition, too—other than that offered by Stalin's underground. Many Yugoslav Communists haven't been able to keep up with Tito's rapid alignment with the West. They still think of "Wall Street" as bad, "Socialist" Russia as essentially good, though misdirected.

Despite all the troubles, Tito is managing a serene attitude for the West. He is sure—and Washington is hoping—that he can keep Yugoslavia on an even keel—as long as there's aid to ease the food problem. As for Soviet attack—Tito promises that his people will fight to the end.

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Business Week—December 9, 1950

THE ADDRESSOGRAPH-MULTIGRAPH CORP.	33	THE LAMB ELECTRIC CO.	6
Agency—The Griswold-Eshleman Co.		Agency—The Bunting-Kerr Co.	
AIR REDUCTION SALES CO.	93	LIBERTY COACH CO.	91
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ALLEGHENY LUDLUM STEEL CORP.	103	THE LORD BALTIMORE HOTEL.	90
Agency—Walker & Densinger, General Agency		Agency—Sherry Advertising Corp.	
AMPRO CORP.	47	MANNING, MAXWELL & MOORE, INC.	90
Agency—Rutherford & Ryan, Inc.		Agency—Briggs & Varley, Inc.	
ARMSTRONG CORK CO.	7	MARINE MIDLAND TRUST CO. OF N. Y.	32
Agency—Batten, Barton, Durstine & Osborn, Inc.		Agency—Marine Midland Bank, Durstine & Osborn, Inc.	
BALTIMORE & OHIO RAILROAD	36	MARSH & McLEAREN, INC.	104
Agency—John A. Boley Adv., Agency		Agency—Doremus & Co., Inc.	
BANK OF MONTREAL	40-41	MATHISON CHEMICAL CORP.	37
Agency—Doremus & Co., Inc.		Agency—Doyle, Kitchen & McNamee, Inc.	
BANKERS BOX CO.	46	McGRAW-HILL BOOK CO. INC.	84
BANKERS TRUST CO.	1	McGRAW-HILL PUBLISHING CO., INC.	64-65
Agency—Covars & Densinger, Inc.		MECHANICAL HANDLING SYSTEMS, INC.	44
BELLWOO CO.	68	Agency—White & Burden	
Agency—Ralph Gross Adv., Inc.		MERCURY MANUFACTURING CO.	66
BENDIX AVIATION CORP.	88	Agency—O'Grady-Goldstein-Gray, Inc.	
Agency—Bendix & Clegg, Inc.		MICHIGAN EXPRESS, INC.	70
BOWER ROLLER BEARING CO.	2nd Cover	Agency—John W. Van Denburg Agency	
Agency—MacManus, John & Adams, Inc.		MICHIGAN MANUFACTURER & FINANCIAL RECORD	106
BROWN & SHARPE	78	Agency—Dennison & Betteridge, Inc.	
Agency—J. M. Mathes, Inc.		MICRO SWITCH DIV., MINNEAPOLIS-HONEYWELL REGULATOR CO.	18
BUSINESS WEEK	98	Agency—Hamilton Adv., Agency, Inc.	
Agency—Ellington & Co., Inc.		MOL-LIFT CORP.	4
A. M. BYERS CO.	48	Agency—Alice Cleanagan	
Agency—Ketchum MacLeod & Grove, Inc.		MOSLER SAFE CO.	70
CENTURY ELECTRIC CO.	53	Agency—Albert Frank-Guenther Law, Inc.	
Agency—John R. French & Assoc.		NEBRASKA RESOURCES DIV.	75
CHARLESTON DEVELOPMENT BOARD	86	Agency—Ayres Adv., Inc.	
Agency—Hawkins & Co.		NEKOOSA-EDWARDS PAPER CO.	38
CITY BANK FARMERS TRUST CO.	81	Agency—The Nekoosa Paper Co.	
Agency—Kennedy Sinclair, Inc.		N. Y. STATE DEPT. OF COMMERCE	78
COLE METAL PRODUCTS CO.	92	Agency—Batten, Barton, Durstine & Osborn, Inc.	
Agency—H. M. Klingensmith Co.		PACKAGE MACHINERY CO.	28
DAVISON CHEMICAL CORP.	12	Agency—John O. Powers Co.	
Agency—Davisson Chemicals, Inc.		THE PENNSYLVANIA CO.	57
DUREZ PLASTICS & CHEMICALS, INC.	39	Agency—Ayres & Ayres, Inc.	
Agency—Consolidated Druffs & Co.		THE PULLMAN CO.	14
EASTMAN KODAK CO.	97	Agency—Yousch & Huberman, Inc.	
Agency—Charles L. Russell & Co., Inc.		REMINGTON RAND, INC.	45
ELASTIC STONE NUT CORP. OF AMERICA	59	Agency—Lefford Adv., Agency, Inc.	
Agency—O. M. Basford Co.		ROTARY LIFT CO.	82
EL-TRONICS, INC.	106	Agency—Greenlaw & Bush, Inc.	
ELECTRIC EQUIPMENT CO.	90	Agency—Ayres, Moore & Wallace, Inc.	
Agency—Charles L. Russell & Co., Inc.		SHAKERPOINT, INC.	54-55
ELJIR CO.	83	Agency—Widde & Briggs, Inc.	
Agency—Fuller & Smith & Ross, Inc.		SHAW WALKER CO.	93
EMPLOYERS MUTUAL LIABILITY INS. CO. OF WISCONSIN	89	Agency—Kenyon & Eckhardt, Inc.	
Agency—Hamilton Adv., Agency, Inc.		SIMONDS ABRASIVE CO.	72
EUREKA SPECIALTY PRINTING CO.	86	Agency—Fox & MacKenzie Adv.	
Agency—Grim-Fleethouse, Inc.		SOCONY-VACUUM OIL CO., INC.	3rd Cover
FRIDAY CALCULATOR MACHINE CO.	60	Agency—Clemens Adv., Inc.	
Agency—George J. Lenz, Inc.		SPENCER MOTOR COAT DIV.	82
GAYLORD CONTAINER CORP.	33	Agency—Rutherford Abbott	
Agency—Oakleigh H. French & Assoc.		THE STANDARD REGISTER CO.	62
GENERAL AMERICAN TRANSPORTATION CORP.	2-3	Agency—Geier, Newell & Ganger, Inc.	
Agency—Weiss & Geller, Inc.		STATE OF INDIANA—DEPT. OF COMMERCE & PUBLIC RELATIONS	58
GENERAL ELECTRIC CO.	67 & 94	Agency—McCain & Associates	
Agency—General Electric Co.		STRATHMORE PAPER CO.	73
GENERAL ELECTRIC CO.—CHEMICAL DEPT.	29	Agency—Kinney & Co., Inc.	
Agency—Hewton & Bowles, Inc.		THE SURETY RUBBER CO.	102
GENERAL OUTDOOR ADV. CO.	71	Agency—H. M. Klingensmith Co.	
Agency—McCamon-Erikson, Inc.		TENNESSEE PRODUCTS & CHEMICAL CORP.	80
THE GILBERT PAPER CO.	42	Agency—The Griswold-Eshleman Co.	
Agency—Meldrum & Fawcett, Inc.		TIMKEN ROLLER BEARING CO.	4th Cover
GLOBAL AUTOMATIC SPRINKLER CO., INC.	46	Agency—Batten, Barton, Durstine & Osborn, Inc.	
Agency—Marchbank & Pratt Co.		TRANS WORLD AIRLINES, INC.	53
GREAT LAKES STEEL CORP.	56	Agency—Batten, Barton, Durstine & Osborn, Inc.	
Agency—Campbell-Ewald Co., Inc.		TRAVELERS INSURANCE CO.	30
HALSEY, STUART & CO., INC.	96	Agency—Young & Rubicam, Inc.	
Agency—Doremus & Co., Inc.		TRUSCON STEEL CO.	34
THE HIBERNIAN PAPER CO.	50	Agency—Meldrum & Fawcett, Inc.	
Agency—Howard Behnke, Adv., Agency		TURNER CONSTRUCTION CO.	79
HYATT BEARINGS DIV.	43	Agency—Ayres, Moore & Wallace, Inc.	
GEN'L MOTORS CORP.		WHITE ELECTRIC CO.	69
Agency—Campbell-Ewald Co., Inc.		Agency—Hamilton Adv., Agency, Inc.	
THE INDUSTRIAL COMMITTEE OF SAVANNAH, INC.	102	WESTERN ELECTRIC CO.	5
Agency—Northeastern Adv., Agency		Agency—Cunningham & Walsh, Inc.	
INTERNATIONAL EXPOSITION CO.	76	WESTERN UNION TELEGRAPH CO.	49
Agency—Marshall & Pratt Co.		Agency—Albert Frank-Guenther Law, Inc.	
THE INTERNATIONAL NICKEL CO., INC.	17	WESTINGHOUSE ELECTRIC CORP. (LAMP DIV.)	77
Agency—Marshall & Pratt Co.		Agency—Fuller & Smith & Ross, Inc.	
JONES & LAMSON MACHINE CO.	74	WESTINGHOUSE ELECTRIC CORP.	8
Agency—Henry A. London, Adv., Inc.		Agency—Sherry Advertising Corp.	
KELITE PRODUCTS, INC.	76	WHEELING CORRUGATING CO.	61
Agency—Little & Co.		Agency—Cunningham & Walsh, Inc.	
WALTER KIDDE & CO., INC.	83	S. B. WHISTLER & SONS	87
Agency—Cunningham & Walsh, Inc.		Agency—Consolidated Druffs & Co.	
WORTHINGTON PUMP & MACHINERY CORP.		WHITE MOTOR CO.	11
Agency—James Thomas Chirurg Co.		Agency—Doremus & Co., Inc.	
YOUNGSTOWN SHEET & TUBE CO.		WORTHINGTON PUMP & MACHINERY CORP.	31
Agency—The Griswold-Eshleman Co.		Agency—Young & Rubicam, Inc.	

# The Mounting Crisis for the Free World

Exactly five months after the Communist aggression was launched in Korea last June, a new and graver threat to the free world has flared in the same place. What was considered the Korean Incident has slipped into a Chinese War.

The fog of war is thick. But it is plain that once again our leadership, both military and political, has been caught off guard. It is a rude—but perhaps merciful—reawakening for us. For once the Pusan beachhead was made secure last summer, the danger seemed to recede. We took counsel of our hopes and relaxed. The defense effort was permitted to yield along the way to the problems it created.

Pretty much everyone liked the economic consequences of the 10% war. There were economists who have long nurtured the belief that a defense program was the best way to prime the economic pump. The government seemed ready to gear its preparedness program to the idea that it should be neither so big nor so rapid as to require measures that would pinch.

Businessmen found profits bigger than ever. Workers found wage increases easily forthcoming. Employment was high. Farmers prospered. The steady encroachment of inflation troubled only a few.

The folly of the course we have pursued must now be clear to all of us. For it is a fact that we are at war with worldwide Communism, directed from Moscow. It is no longer a question of winning the peace. It is now a question of winning the war.

But as Americans we have a hard time identifying what confronts us now as war. In the past there has been a Fort Sumter, a Lusitania, a Pearl Harbor to symbolize the conflict and galvanize us into action. It has been hard for us to understand what Korea is all about because Korea is really part of a great political war.

At such a time Americans have needed leadership of the highest order in Washington. Instead, their leadership has been wholly inadequate. The nature of the Communist menace has been tragically misjudged by those in command of our national destiny. That leadership has failed to inform the people of the danger before us. It has not asked of the people those sacrifices necessary to back up a policy of opposition to Communist imperialism. This fact has proved disastrous in a country where all of us have been willing listeners to the easy course and where no other leadership, in or out of Congress, has come forth to arouse the people.

There must be an end to this policy of escapism. The new turn of events is critical. We do not know the next turn this conflict will take. We have no access to the Communist timetable.

But we do know that our own efforts must be redoubled. A whole new appraisal is needed. Stalin has raised the price of peace. The comfortable days of the 10% war are gone.

An immense and terribly urgent task lies before the American people and its leaders.

The Administration must tell the people the full story of the danger that besets us. Until the people are aroused and told that the job requires sacrifices out of our high standard of living, we will go on selfishly concerning ourselves with wage rounds as usual, price increases as usual, profits as usual, and politics as usual.

Our mobilization program must be sharply stepped up. It is a national scandal that five months after Korea started we are still without a military-requirements program. Business must come forward with ideas and men to help do the job in Washington.

An effective program to combat the menace of runaway inflation must be put into operation.

This—and much more—we must do.

The nation faces its greatest crisis. Nothing less than the fate of our country is at stake. Individual citizens who sense the danger must arouse others to action.

The hour is very late.

## A Give-Away?

Like other companies, Jones & Laughlin Steel Corp. is adding new capacity. J&L sought to utilize the law that permits it to base its taxes on a five-year amortization of approved defense facilities.

Chief Mobilizer W. Stuart Symington has now handed down his decision. He granted the certificates for eight J&L installations. But he refused to allow a fast write-off on the full investment. Instead, he made the certificates apply to 35% to 80% of the cost of each project. His explanation is that he will not "give" anybody a plant in five years if it has a useful life expectancy in peacetime.

It is hard to believe that any responsible official actually thinks five-year amortization is giving away a plant. But in case any do, here is the A-B-C of it:

Plants built under a certificate of necessity are built with the company's own money; the government pays nothing. The income from these plants is taxable, regardless of whether they are five years old or 50. The deductions for depreciation add up to the same total, whether they are spread over five years or 20 years. Hence, if the plant is still useful for something after it is written off, taxes on the income will go up accordingly. All that five-year amortization does is protect the owner if the plant becomes worthless before he has time to write it off under the ordinary slow depreciation rules.

Symington isn't giving anybody anything when he approves a certificate of necessity. And in making out of this piece of apparently routine business something that looks—rightly or wrongly—like a political grandstand play, he has done the whole mobilization program an injury.

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## The steel that jet-propels a truck

ON a day last spring, one truck driver after another blinked in amazement as a large red truck barrelled along a western highway. The reason: a pair of uncommonly large exhaust stacks jutting up beside the cab, but a complete absence of the customary "pop-pop" from a diesel truck engine.

It was the first truck in the world to be powered by a gas turbine engine!

Still in the trial-run stage, this Kenworth truck's Boeing gas turbine engine promises tremendous benefits to truck operators. Its weight is only one-tenth that of the standard diesel engine now used for heavy-duty

service. It occupies 60% less space. It gives faster pick-up and less noise.

One big problem which had long stood in the way of developing gas turbines like this was the lack of a satisfactory steel for the turbine wheel discs. These wheels, heart of the engine, must spin as fast as 36,000 rpm—and in an inferno of hot gases that would reduce ordinary steels to a semi-molten state.

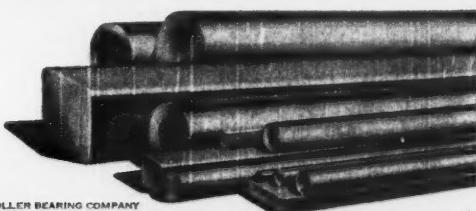
But metallurgists of The Timken Roller Bearing Company had the answer all ready for the engine manufacturer. It was "16-25-6"—a Timken-developed alloy that had been

proved in jet airplane engines and recently used in large, stationary gas turbines. Recommended by Timken for the Boeing turbine wheel discs, "16-25-6" did the job—retained its strength at 1500° F., withstands all the terrific forces involved.

It's one more problem that can be stamped "Solved—by Timken Alloy Steel". Why not let us help with your steel problem? Write The Timken Roller Bearing Company, Steel and Tube Division, Canton 6, Ohio. Cable address: "TIMROSCO". Tapered Roller Bearings, Alloy Steels and Seamless Tubing, Removable Rock Bits.



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